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William Morton Grinnell

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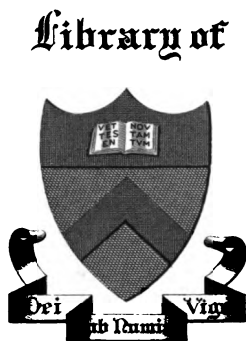
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# SOCIAL THEORIES AND SOCIAL FACTS

BY  
WILLIAM MORTON GRINNELL  
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1905

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## PREFACE

**I**F there is a great deal written on the subject of the economic and social conditions of the present time, the subject is of such vast importance and far-reaching consequences, not only to our continued prosperity but to our very existence as a true republic, that it may be forgiven if another student of the questions involved ventures to present his views upon the subject and offer a few suggestions which if not new may at least be pertinent.

One of the fundamental errors seems to lie in the assumption that the social and economic conditions now developing are new. As a matter of fact they are not new, but are proceeding in orderly evolution, substantially the same as have always existed, differing in degree indeed but not in kind. The fundamental inequality of man through heredity, birth, and environment has always led to inequality of condition, unequal distribution of wealth and of opportunity, but the progress achieved throughout the long roll of centuries,

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and of which the two great mile-stones were the introduction of Christianity and the Declaration of Independence, has been necessarily confined to organizing society with a view to giving men equal opportunity, and this is all that can be done. Of recent years, however, we have attempted to do more: we have endeavored to create equality of life and of condition; we have endeavored by municipal law to contravene natural law; we are striving to abase some and elevate others to one dead level of humanity.

This is the essence of socialism as it is of labor unions. Both systems are unfair and unjust to the more honest, more able, and more thrifty among us, and wrongfully favor the lazy, the thriftless, and the incompetent. Nature has ordered things differently, and Nature has ordered wisely. What we should do is to follow Nature and not contravene her, observe the principles of religion and ethics and not contravene them. Nature and religion ordain union and harmony and abhor fighting and destruction. We, however, enact laws against union and harmony and encourage waste and fighting—that is, competition. We enact fantastical laws opposed to the laws of nature



and economics, and we interfere with the laws of supply and demand. We establish arbitrary money standards, we establish the rate of wages and the price of commodities. We fairly revel in sumptuary laws, in spite of the fact that their uselessness and harmfulness have been proved in every decade of every century for a thousand years. In the meantime we forget the law of Moses and the elementary laws governing property which have existed in all times and among all peoples.

Let us, instead of endeavoring to re-create an impossible world and to establish an artificial condition of life, act in accord with nature. Let us not legislate against abstractions, but execute the laws against concrete offenders when they pervert the interests of union and trust and harmony to their own ends. Let us realize that the solution of the problems which confront us lies in the observance of the principles of religion and nature, and of laws which in their essence are as immutable as they are beneficial and wise.

W. M. G.

October 10, 1905.



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# SOCIAL THEORIES AND SOCIAL FACTS

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## CHAPTER I

### NATURAL AND ARTIFICIAL LAWS

**A**N analysis of the trend of public opinion, and its influence upon legislation during the past quarter of a century, shows that we have been virtually exalting false and immoral principles and condemning those which are true and moral. We have exalted competition,—that is, fighting—and condemned union—that is, harmony. We have denounced and legislated against union of interests and of capital, and advocated disintegration and dissension. We have deprecated peace in industrial and economic matters, and advocated war and strife. No wonder that all such efforts to legislate against the true principles of ethics and morality and to impose a state of waste

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and warfare have proved unavailing. The marvel is that such a distortion of our ideas could exist, that our reasoning powers should have so gone astray. The explanation of course lies in the fact that immoral men have perverted moral principles to their own ends and that criminals are as numerous in the personal element of combinations of capital, of interests, or of labor, as outside.

In addition to the classes of enactments which directly contravene the laws of ethics and morality, there is another large class which, if not so harmful, is nevertheless injurious to social life, because it contravenes economic principles—such as in general are called sumptuary laws—those regulating the money standard, the prices of commodities, the hours of labor, the rate of wages, etc.

The long struggle to make, by legislation, silver an equal money standard with gold, with the consequent years of business paralysis, the suffering and distress entailed (as always upon those whom it was sought to benefit), and the inevitable failure, is the most recent and striking example of the danger of violating natural and economic laws.

But undeterred by this experience we speed-

ily turn our attention to other mischievous forms of legislation. We have prescribed hours of labor and rates of wages, fixing a maximum for the former and a minimum for the latter. Fortunately, however, we do not have to wait for the slower and more disastrous effects of these particular violations of economic laws, as the courts are one after another declaring them unconstitutional, chiefly on the ground that they are in violation of the freedom of contract.

But of the greatest importance are the laws which have been enacted in favor of competition as a panacea for all economic ills. They are peculiarly dangerous because their effect is more subtle and there are specious and surface arguments in their favor. They nevertheless not only violate natural and economic laws, but those of ethics and morality as well. Reduced to their simplest expression the effect was as follows :

Men were ordered to fight and injure and if possible destroy one another's business ; and harmony and agreement between competitors was forbidden ; the theory being that the third party, the public, would profit during the warfare. So it does in the same sense that certain

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people profit by actual war. But as tangible waste and destruction are not profitable, neither is economic waste. Of this again as of silver legislation we have had the distressing truth brought home to us.

The railway rate wars in the eighties and early nineties may have temporarily profited freight shippers and passengers, but the resulting years of receiverships and foreclosures (from 1883 to 1901, 98,000 miles were placed in the hands of receivers and 87,000 miles sold under foreclosure) were productive of great loss and waste to the whole community.

This was one natural result of competition either enforced by legislation or carried on through mistaken ideas of moral and economic laws on the part of the People. Another equally logical result was the elimination of the weaker and the survival of the fittest, as strongly exemplified in the case of the Standard Oil Co. Its competitors are dead and we see as near a monopoly as can exist, created entirely by competition.

Some perception has, however, been growing of the *unsucccess* at least, if not of the evils of competition, and there is a tendency to abandon this much-loved and long-cherished



economic doctrine in favor of Government supervision, control, or ownership.

In favor of this there could, at least, be something said, provided our natures were radically different, provided we all had attained the lofty ideal of a Christian, provided in short that love and charity were universal (as also energy and desire to work) and selfishness and greed were banished from the world. Being as we are, it would become more and more disastrous exactly in proportion as the principle was extended. There would indeed be a forced equality, but it would be at the standard of the lowest among us and inevitably tend downward; as nature has made us unequal, laws again cannot contravene nature.

If all artificial measures to remedy what we consider the defects of the laws of nature or economics are doomed to failure, what solution is there to the problem of social life? Only one—which has been not inaptly termed, by one of the most intelligent writers on the subject, as Christian sociology. If defined as Christianity and industrial socialism and combined with impartial execution of the laws, it is the only solution, and its beneficent workings are silently making themselves felt even now.

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It may seem impractical to instance Christianity as an actual live factor in the settlement of industrial questions, but taken in its broad sense and applied to the daily life of the industrial world, it is of course the most important factor. The real principles of Christianity exist in this country in perhaps a higher degree than in any other, but they are disassociated from business life. Love of one's neighbor, and charity, are dominant characteristics of the American people, evidenced in a thousand direct and indirect ways, but they are exercised chiefly apart from business, as if they belonged to a different sphere. They are so disassociated that charitable benefactions seem in many cases to be an atonement for business success, achieved in defiance or in disregard of the very virtues which prompt them. Some of our very richest men, whose royal charitable gifts have astonished the world, have been accused in their business life of a hardness of heart, the very antithesis of the qualities which led them to make these benefactions. If these accusations are founded on fact, and not on envy or jealousy, the daily exercise of these qualities in their business life would have resulted in far

greater benefits to all those with whom they came in contact, directly or indirectly, than from these gigantic gifts or bequests. For one person directly benefited there would be many indirectly benefited, not by paralyzing charity but by encouragement to self-help, and this would spread day by day through an ever wider area.

But the socialism that is being so insistently demanded nowadays is political socialism, than which there could be nothing worse. Being what our Government is, it would mean giving to the unfaithful steward more power, and to a dishonest trustee more money. The only practical socialism is industrial socialism, and that is what is now being evolved in the economic life of the nation. A hundred years ago corporations hardly existed ; business was almost entirely individual or conducted by partnerships. There was no opportunity for the investment of savings except in land, nor were there many openings, contrary to the prevalent belief, for the enterprising and ambitious young man. The commercial, financial, and manufacturing business was conducted by small firms who made for the times a great deal of money,

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but who usually only admitted to a share of the profits relatives of the partners. This condition of affairs continued very much the same up to the time of the Civil War, when railroad corporations assumed some magnitude. From then until the eighties the change was gradual, then more rapid, until from 1897 the evolution of all business into a corporate form has assumed gigantic proportions. The result is that where one or two, or at most half a dozen, persons were interested in a business there are now hundreds or thousands. There are about forty-four thousand shareholders in the Pennsylvania Railroad, and from sixty-five to seventy-five thousand in the Steel Corporation.

These are among the largest and most typical examples. The woollen manufactories and the cotton manufactories of New England were in the hands of a few families, united as partners, or in small close corporations. They are now turned into great corporations, with thousands of shareholders. This momentous transformation of industry has inured to the benefit of the many rather than the few, and it is an evidence of the general distribution of wealth throughout the

country. It is true practical socialism, for each individual owning a share in any corporation has a voice in its management. By union or combination with his fellows the smallest shareholder *can* exercise a powerful and often dominant voice in the management, and if this is not done it is owing to laziness or supineness on his part. How much more powerful and effective this is than political socialism. In this his voice and vote will be no more effective than that of the most thriftless ne'er-do-weel, with no interest whatever at stake and who is ready to sell his vote to any political boss. Furthermore, political socialism would mean the control of a vast number of industries by a municipal, a state, or a federal Government, and the citizen's vote either alone or with those of his friends would have an infinitesimal effect in comparison with what he or they could effect in one corporation, the shareholders of which would not be numerous in comparison with the population of a city or a state.

But any hope of a solution will be vain without the enforcement of the fundamental laws bearing on life, liberty, and property. We have them in full and elaborate form, but their enforcement is lax and slow. Justice

## 10 Social Theories and Social Facts

delayed is justice denied, and to wait from three to thirty years to enforce a right, redress a wrong, or punish a criminal, is justice denied. And yet such is the notorious condition of the administration of the law throughout the country. The prompt and equitable enforcement of these fundamental laws would have preserved us from the present chaos of unrest, class feeling, and scandals. It would be absolutely effective in protecting the weak, curbing the strong, and punishing the guilty, whereas our special legislation against natural laws and economic laws has only resulted—can only result—in disaster. We must leave out of consideration abstractions; unions of capital, unions of labor, harmony, community of interest—all these are in accord with the Christian spirit, with the higher evolution of humanity, but we must punish the criminals, whether within or without a union of capital or labor, a false factor in a community of interest.

We have made the most marvellous progress of any nation at any period in the history of the world, and we have reached our dominant position through the free play of individual initiative and effort, neither assisted nor hampered (at least until recently) by Government,

which has been mainly confined to its proper sphere, that of an impartial protector of all its citizens from foreign aggression or domestic injustice. But the very greatness of our wealth has aroused and intensified the envy and jealousy of the unsuccessful against those who have succeeded, these old abhorrent vices of human nature which all religions have condemned as the most deadly sins, and which all honest men fight against.

In the seething ferment of life at present and for some years, there has arisen an unusual number of unprincipled men who fan and incite these worst of sins, the logical consequences of which are murder and theft.

The horrors of the French Revolution stand out as the monument of a hell on earth ; but the fomenters and inciters of this had terrible grievances to redress, centuries of wrongs to right—a people in slavery had to be redeemed, and the hideous years of plunder and murder had some excuse in the distorted feelings which centuries of tyranny had aroused.

Certainly since the French Revolution there have been no such efforts to foster the envy and arouse the hate of the unsuccessful against those who are successful, as we hear from poli-

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ticians high in office, read in newspapers with wide circulation, and learn from university professors, and even from the pulpit. And all with an incredible and unusual lack of justification.

Never was there so much general well-being and comfort as in the United States—never such a widespread distribution of wealth. (This last assertion may not be believed at first, but a careful study of the statistics on the distribution of wealth in this and other countries and for a hundred years will prove its truth.)

If there are men with vast fortunes, they or their fathers have earned them by their superior ability, thrift, and industry, and they have earned them honestly (this we must acknowledge) or otherwise we stultify ourselves and admit that we have not executed, and do not execute, the elementary criminal laws. And if we have not executed these, how more than useless to attempt the enactment of new and complicated laws directed against natural and economic principles! If, therefore, there are a few men with incomes of a million dollars a year, and a considerable number with incomes of \$100,000 a year, it is because the total wealth of the nation is far greater than ever before in the history of the world, and the



proportionate amount which they possess is not as great as in the case of individuals similarly situated in other nations or at other times. The number of these men as compared with those whose incomes are \$10,000 a year, and equally or more so with those whose incomes are \$1000 a year, is proportionately less than has ever existed at any time or in any place. The wealth per capita increased from \$779.83 in 1870 to \$1235.86 in 1900; in 1850 it was only \$307.69. In no country of the world are the dependent classes so well cared for, not by Government aid but by private benefactions.

Assuming the inequality of men, natural and hereditary, which nature has created, there has never been in any country such a mitigation of the evil, such an alleviation of the inequality (not by Government), as by the truly Christian qualities of the people of the United States.

We have been accused of a vainglorious boastfulness and an exaggerated opinion of ourselves. The most casual reading of history, however, the most cursory glance at statistics, will show that we are more modest than we have ever been accused of being boastful. Within a century, not to go farther back, we have made ourselves, from a very poor, very

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small, and little considered nation, by far the greatest, most wealthy, and most powerful nation in the world's history. We can no longer compare ourselves with any one nation of Europe, but with the entire continent ; not in population, but in potential and actual power, in agriculture, in mining and manufacturing and in land transportation at *least*. And if this is so in all material concerns, it is equally if not more so in all that flows from the higher moral attributes. These necessarily cannot be accurately gauged, except perhaps in the donations for educational and charitable purposes, and these are admittedly incomparably greater than in all Europe. It is very true that these are more or less under the control of the state abroad, so that private benefactions there and here cannot fairly be compared, but the ultimate result can be. The ultimate results in the endowments for educational purposes and provision for the dependent poor are very much in favor of the United States.

When wars seem to have become necessary we have shown the same high qualities as in peace : we have fought with unusual courage and persistency, and we have shown unexampled magnanimity during and after the war

—paying for our conquests instead of exacting an indemnity, and treating the conquered people as friends.

All this wonderful record of our nation is not an accident but is a natural evolution, a logical result growing from the foundations of our country. We are what we are because we inherited certain exceptional qualities from our ancestors, and they were exceptional men because they left their native countries for principles, for freedom, religious and political, which they could not obtain at home, and also from an adventurous spirit alone or combined with the higher principles.

## CHAPTER II

### TRUSTS

THE evolution of economic life from individualism to partnership was comparatively short, from partnership to corporation occupied a relatively longer period of time, while the development of corporations into what are popularly known as trusts is, of course, of very recent growth. The thing itself is the union of several corporations into a large one ; the avowed purposes—the effecting of economy in administration and management, the division of labor, and the more effective handling of the industry involved ; the unavowed purposes are the control and manipulation of prices to the consumer. It is the popular idea that the control and manipulation of prices is the primary object, and that the result is always an increase of price to the consumer. While this in some instances was attempted and carried into effect, the poor policy of impoverishing the purchaser or con-

sumer for the sake of an immediate gain was seen to be a false economic theory, and it was not long before it was realized that the largest possible sale of its products by a trust at the lowest possible price, permitting a small margin of profit, was far more advantageous in the long run, while every attempt to establish an absolute monopoly or the complete control of a product has failed, with the possible exception of the Standard Oil Trust. There are no monopolies in the United States except those granted by the Government in the shape of copyrights, trade-marks, and patents.

As has been shown before, the very idea of economic life on which we have been so insistent, namely, unrestricted competition, is precisely the economic doctrine that tends to create a monopoly speedily,—the result of competition and the subsidence or merger of the smaller competitors into the larger ones, leaving finally comparatively few in the field. We have an old and homely example of this in the great department stores, about which there was so much feeling a generation ago, but the recognized advantages and utility of which are now so accepted that the subject is practically never mentioned; and yet these

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great stores in every city exist because the thousands of little shops were forced out of business by a competition which they could not sustain. As in any economic change there was much hardship, much suffering, much injustice, but the course of their industry has been diverted to other channels, and the general result is a gain to the community at large. So it is bound to be with the larger trusts, provided they are honestly managed and conducted. If they are not, it is not the fault of an economic abstract like a great combination, but the fault of the lawless men who are in control, and they are no more lawless in a trust than out. Like all criminals, they should be punished for a violation of the law, irrespective of any association, trust, or combination.

While the general scheme of a corporation is the same in all countries, the functions, the duties, the liabilities of directors and the rights of stockholders vary considerably, the former being held to a stricter liability in France, for instance, than in England, and in England than in the United States,—particularly of recent years. There is now growing up a feeling in this country that we have been too lax in this respect, and recent developments will undoubt-

edly emphasize the necessity of a much stricter accountability on the part of directors. The advantage of the corporate form of doing business is too obvious to be dwelt upon, but the fact that whenever any business is turned into this form there result a wider distribution of wealth, a more general solidarity of business, and a greater opportunity for investment, is not so generally appreciated.

The following figures, taken from the statistical abstract of the United States for 1904, show the progress made by the United States from 1870 to 1904. The increase in aggregate and individual wealth is, as we all know in a general way, stupendous ; but the most striking feature of the showing is the enormously more rapid growth during the recent years of great combinations of capital,—the multiplication of so-called Trusts. All arguments in their favor sink into insignificance when compared with these concrete facts. I begin with 1870, as, although the preceding periods only show in stronger light the great progress of recent years, the growth from then until now is quite sufficiently striking. Thus :

In 1870 the total wealth was \$30,068,518,000; the wealth per capita was \$779.

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In 1880 the total wealth was \$42,642,000,000 ; the wealth per capita, \$850.20.

In 1890 the total wealth was \$65,037,091,000 ; the wealth per capita, \$1038.57.

In 1900 the total wealth was \$94,300,000,000 ; the wealth per capita, \$1235.86.

While the figures for 1904 are not given, it is of common knowledge that these last four years have been the most prosperous ever known in the United States.

In 1870 the total money in circulation was \$675,212,794, and the circulation per capita was \$17.50.

In 1880 the total money in circulation was \$973,382,228, and the circulation per capita was \$19.41.

In 1890 the total money in circulation was \$1,429,257,270, and the circulation per capita was \$22.82.

In 1900 the total money in circulation was \$2,055,150,998, and the circulation per capita was \$26.94.

In 1904 the total money in circulation was \$2,519,142,860, and the circulation per capita was \$30.77.

Deposits in banks were as follows :

In 1880 (1870 not being given).	\$2,134,234,861
In 1890.....	4,061,602,364
In 1900.....	7,238,986,450
In 1904.....	10,000,546,999

The depositors in savings banks numbered :

In 1870.....	1,630,846
In 1880.....	2,335,582



In 1890.....	\$4,258,893
In 1900.....	6,107,083
In 1904.....	7,305,443

Incidentally we see in emphatic light the harm wrought during the years from 1893 to 1897 by the fanatics and radicals, not to the rich, but to the poor.

The total deposits in all banks amounted,

In 1893 to.....	\$4,627,223,910
In 1894 to.....	4,651,115,302
In 1895 to.....	4,921,267,817
In 1896 to.....	4,945,124,424
In 1897 to.....	5,094,735,370

When the restoration of confidence began to be felt, they jumped,

In 1898 to.....	\$5,688,164,456
In 1899 to.....	6,788,658,361

Thereafter rapidly increasing until they now stand at over \$10,000,000,000. That is, in the four years of populism they hardly increased \$300,000,000, while in the succeeding four years of confidence and sanity they increased about three billions, or ten times as fast.

During this disastrous period, the money in circulation per capita decreased from \$24.56 in 1892 to \$21.41 in 1896, thereafter with the return of confidence rising until it is now about \$31.

## CHAPTER III

### TRUSTS (*Continued*)

THE analogy between the political corporation (the State or Municipality) and the industrial corporation or trust is very close; the executive being represented in the one case by the Governor or the Mayor, and in the other by the President, while the Directors correspond to the Legislative body; the Stockholders corresponding to the voters. But the difference is also obviously great, and from many points of view, particularly that of socialism, is all in favor of the industrial corporation. The political corporation is governed by those elected through manhood suffrage—that is, any one over twenty-one years of age and not in the penitentiary has an equal vote. In the industrial corporation all those who vote for the management have a direct personal and pecuniary interest at stake. Now, however altruistic a man may be, the pecuniary interest is bound to predominate,

and ought properly to predominate up to the point where his wife and children are assured against want and suffering, and to a certain and legitimate extent even beyond that point. Consequently his interest will be very much greater in the industrial corporation, or corporations on which depend the bread and butter of his wife and children, than in the political corporation of which he is a member and which apparently does little for him beyond assuring him reasonable protection from violence and taxing him heavily. In both political and industrial corporations there are machines and bosses, but the make-up and calibre of both are very different. The individual voter or stockholder may submit in both cases, but he never submits to an industrial machine or an industrial boss for any length of time unless the returns in the shape of dividends or income on his investments are satisfactory. From the political machine or boss he expects nothing and submits tamely unless the conditions of life in his vicinity become unbearable or the taxes more than usually burdensome. The corruption in political corporations, especially in the larger municipalities, is unfortunate, notorious, and well founded, and that it exists in industrial

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corporations to some extent is also equally notorious, and particularly so in corporations supervised by the State, as banks, insurance companies, trust companies, etc. But whatever may exist in these latter is in infinitesimal proportion in comparison with that which is so prevalent in the former; both are due to the apathy of the voter, and the difference in extent and frequency is due to the fact alluded to above. He exercises a very much closer control over, and keeps a keener watch upon, the men who manage the property on which depend his subsistence and that of his family than over those who exercise the functions of government. Should he desire in either case to exercise his power of control, the law is amply sufficient.

Both political office-holder and corporate director are held to a strict accountability, and their duties are well defined. Stockholders and voters, however, as we know, rarely exercise the powers which the law gives them; partly from tolerance, partly from the inherent good-nature of Americans, partly from the slow procedure of law,—one or all render a negligent or criminal office-holder or director relatively safe from punishment. Usually his

resignation is regarded as a sufficient atonement for his misdeeds.

There seems, however, to be a tendency in recent years to hold public officials and officials and directors of industrial corporations to a stricter accountability for their duties than heretofore.

Whether this be actually so or not, there is certainly a growing feeling among the community at large that trustees, whether public, quasi-public, or private, should be accountable in a far stricter measure than hitherto for their negligence or malfeasance.

To give an idea of the extent to which the corporate form has embraced all business and industry, except agriculture, we know that railways alone are capitalized, at a conservative estimate, at \$12,000,000,000. The public debt of the United States is about \$2,000,000,000 (that of the several States and chief cities is about \$1,350,000,000). The total capitalization of industrial companies, or trusts, is impossible of ascertainment, but one alone, the United States Steel Corporation, has a capital of \$1,500,000,000, while the capital of the Standard Oil Company is \$100,000,000, the Tobacco Trust \$400,000,000, and these

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are but three of the innumerable industrial corporations. Of very recent years realty corporations are the latest adjuncts to the corporate form, so that agriculture is the only important branch of industry remaining individualistic in character. The total wealth of the United States in 1900, as above stated, was \$94,000,000,000, and it is now probably over \$100,000,000,000. It is difficult to say how large a proportion of this is in the corporate form, but perhaps three quarters would be a fair estimate. Now the evolution of business to the corporate form has been continuous from 1870, growing with accelerated force until within the last five years it has reached its maximum. The total wealth of the United States in 1870 was \$30,000,000,000; in 1900, as said above, \$94,000,000,000,—an increase of more than three hundred per cent. The per capita wealth during this period increased from \$779.83 to \$1235.36. In 1880 those engaged in gainful occupations amounted to 17,392,000, while in 1900 they had risen to 29,285,922, and this share of gainful work yearly grows—that is to say, there is more work for more people than ever before in the history of the country. Figures could be given almost without end to

show the wonderful, phenomenal progress of this country in wealth and all material resources during the past thirty or forty years. This with the development of the corporations is not a mere coincidence, but cause and effect.

Concentration is power, and the concentration of management of great corporations has contributed more than all else to the prodigious progress of the past twenty-five, and more especially of the past eight, years. The elements of prosperity have been always with us, but when diffused and scattered, progress was relatively slow ; only when they became united and wielded by the most capable leaders did they assume great proportions. With the advent of concentration of power in control and management has come diffusion of ownership—an ideal condition under proper restrictions. The former condition is not only universally recognized, but being also confused with a supposed concentration of ownership is the basis of most of the complaints against the present economic conditions. But that the ownership of property has become not concentrated but diffused by the extension of the corporate form in business is glaringly evident. The Standard Oil Company when first organized had forty-five

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stockholders; in 1901 it had four thousand, and now has more. The Sugar Trust when first organized in 1885 had not over three hundred owners. It now has about twelve thousand shareholders or owners. These two are the most unpopular and secretive of corporations or trusts, and would presumably have relatively fewer shareholders than others carrying on their business more in the open. Thus the United States Steel Corporation, the largest and most popular of the trusts, but only one of many in the same field, has over seventy thousand shareholders or owners, while twenty-five years ago probably not over two thousand persons were interested in the iron and steel business.

The Pennsylvania R. R. Co. had less than fourteen thousand shareholders in 1880. It now has forty-four thousand. The Illinois Central had in 1884 two thousand two hundred and seventeen shareholders; it now has nine thousand or more. The New York & New Haven R. R. Co. had in 1889 about three thousand shareholders; at present it has over eleven thousand,—and so on throughout the long list. And this is equally true of the smaller as of the larger corporations.



And thus the ownership of all kinds of property, the title-deeds, as it were, to almost all the wealth of the country (excepting agricultural lands), is enormously diffused and extended throughout all strata of the population. When it is remembered that, besides the shares of stocks of the various corporations, there exists a very large number of bonds (in the case of railroads an approximately equal amount) also in the hands of the public, and that many of the owners of the largest amount of securities are savings banks, insurance companies, charitable, educational, and other institutions who act as trustees for thousands of people each, some adequate idea can be formed of the real and great diffusion of wealth.

Among the people of modest means who have taken advantage of the opportunities for investment afforded by railroad and manufacturing corporations are the employés of these corporations, thus commencing to realize the ideal form of socialism, each workingman owning, managing, and working a part (if a small one) of the enterprise for which his talents best fit him.

What then are the grievances so commonly

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alleged against great corporations or trusts? Usually they consist in vague assertions that they oppress the poor, or, if more definite, that they have increased the cost of living, that they make enormous profits, that their stock is watered, that some at least do not publish reports. These are the main objections urged against them, and of these there are but two which require an answer. That they oppress the poor otherwise than by increasing the cost of living is of course an absurdity; that their stock is in some cases watered is immaterial, except to the stockholder, unless the prices at which they sell their commodities or service are too high absolutely and relatively; and the fact that the profits are in many cases large is not a detriment but an advantage, not only to the stockholder, but to the employés and the country at large, provided also that the cost to the consumer is not too high. So that the two objections remaining are that they increase the cost of living, and that some of them do not make regular reports. As to the necessity for this latter there is a very general agreement; and public opinion working through the laws is enforcing this against the few remaining corporations whose managers

are not broad-minded enough to appreciate their duty to the public.

Do the trusts or great corporations increase the cost of living? If so, or even if they do not reduce it, they are detrimental to the public welfare and must be swept out of existence. No economic system can long endure unless it is for the benefit and to the advantage of the country at large. The general tendency, however, of the prices of those commodities entering into the necessary cost of living is downward.

According to Dun's index tables, the cost of living in 1880 was \$108.655, and for some years previous to that date it ranged from \$97-\$151. In 1900 it was \$91.5, and in 1904 was \$97.192. It was rarely lower than \$91.5, except during the years immediately preceding 1900, when the efforts of ignorant and unreasoning fanatics plunged the country into a long period of suffering and distress by their efforts to override economic laws, and change the law of supply and demand by legislative decree. Coincident with the low rate of the cost of living went lack of employment, low wages for those who did obtain employment, and all the evils and suffering attendant upon

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business stagnation, the paralysis of credit, and universal distrust.

Thus since 1880 (and before) there has been a great decrease in the cost of living, varying to some extent with each year, but showing a general marked decline, while there has been a marked increase in the rate of wages, amounting, since 1898, to fully 18 per cent., and—equally important—a very great increase in the number of wage-earners and in the aggregate of wages paid. And this is the era of the great development of corporations.

It is certainly indubitable that not only in this but in all countries the development of the corporate form in business is either the cause or the consequence of advance in civilization, and brings prosperity not only to the nations collectively but to the individuals. The growth in national wealth in the United States and the growth of wealth per capita are greater than in other highly civilized countries, but in Germany, France, and England it has been only less remarkable and, as here, coincident with, and consequent upon, the extensive development of corporations. The subtle and undefined animosity to trusts (which are only large corporations with a name whose meaning

has been entirely distorted in the popular mind) has its chief roots in the belief that it is opposed to the individual, or to individualism. But upon analysis this will not be found the fact. As the ownership of property has been enormously diffused by the corporation or trust, so individual opportunity has enormously increased. In primitive communities, there is nothing for any one to own but land and a few farming implements,—all are poor, although even then in different degrees. In the gradual development of society these conditions alter but slightly. Even up to one hundred years ago, there was little to own but land or, for seaboard communities, a boat. The little banking and trade which existed were confined to a few larger towns and were monopolized by a few families who, with a small capital, made enormous profits out of the people,—profits which the most exacting corporation manager now never dreams of making.

Professional men, trades-people, artisans,—any one who could save a little had nothing in which to invest his money save land or very rarely in a shipping firm or commercial enterprise about the conduct and management of which he could know nothing. The whole

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country was in the condition of rural communities in less developed lands, where no one can make money, howsoever rich the country, save the local banker or storekeeper, and these make inordinate amounts. But the corporation gives the average man, with average earnings, the only hope he has ever had or can have of a share in the general profit-making activities of society. The less intelligent and enterprising man thus profits by the ability of the more intelligent and energetic men in the community.

But if the development of the corporate form of business is coincident with, and to a very great extent the cause of, the great progress in prosperity and wealth not only of the United States but of the more advanced European nations, there must nevertheless be some causes for the national antipathy to them other than those indicated above. These can scarcely better be summarized than in the report of the Commissioner of Corporations for 1904:

*“ Peculiar characteristics resulting in peculiar evils.—A study of corporation law makes it clear that many of the existing evils of commercial conditions are directly due to certain features of corporation law peculiarly charac-*

teristic of the corporate form. The peculiarities may be summarized as follows:

- " (a) Legal immortality, or permanence of succession.
- " (b) Impersonal nature.
- " (c) Divisibility of interest by creation of stock.
- " (d) Limited liability.
- " (e) Artificial character; existence by act of the State.

"Of these features the divisibility of interest and limited liability have far-reaching effects on commercial conditions, as follows:

"*Divisibility of interest.*—This is of primary importance. It results in majority rule; allows the abuse of minority interests; greatly reduces, and often eliminates, the sense of personal responsibility on the part of the managers; allows the exploiting of one company for the benefit of another; permits divergent and clashing interests within the company, by the creation of special classes of stock; in connection with the limitation of liability it has brought into existence the small investor, he who has no accurate source of information, and whose necessary ignorance of business affairs is a standing temptation to 'insiders'; permits the creation of stock and its use as a sort of currency; taken in connection also with the transferability of stock interests, it allows speculative manipulation; creates great practical confusion in the incidence of taxation.

"*Limited liability.*—This renders possible very large enterprises; encourages over-capitalization; taken in connection with divisibility of interest, reduces greatly, and often destroys, the interest of the managers in the success of the business and their feeling of personal responsibility therefor, and affects greatly the moral factor

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in business management; allows extreme concentration of commercial power; reduces the security of creditors.

*“Ground for governmental regulation.*—Governmental action having created the artificial corporate form with the above outlined peculiar characteristics, it is logical and necessary that governmental regulation of corporations should be much more stringent and detailed than the regulation of individual businesses. The concentration of business that has resulted from the use of the corporate form has produced entities that are almost equal in power to the State itself; that can meet the State on equal terms and influence it accordingly. By their size and legal permanence and their peculiar privileges they have crossed the line that divides private from public interests and their operations affect the public in much the same manner as the operations of Government.

“The great reduction of personal responsibility that has followed the corporate form, the divisibility of stock interests, and the separation of the laborer, stockholder, and creditor from contact with and control of the instruments of industry, have left a very large gap to be filled by Government control, and have left more or less unprotected various important interests which must have the supervision and intervention of the State for the following purposes:

“(a) To protect property rights in corporations held by those now unable to protect themselves by reason of lack of information or power.

“(b) To protect those dealing with corporations as employés, creditors, or consumers.

“(c) To protect the public from the abuse of great



economic power coupled with little personal responsibility.

“The economic powers of the Government and of public officers are checked by a corresponding publicity and responsibility to the voters, while the economic powers of great corporations, although often governmental in their size and scope, have no such publicity or responsibility.

“(d) To protect the Government itself from the pressure of great commercial and financial powers directed upon it for the attainment of purely private ends.”

These objections may be divided into those that are actual and those that are anticipatory. Of the latter we need not speak, as danger may be anticipated from everything material or immaterial, from the Government down to the smallest police magistrate or office-holder who have with corporations the *power* to do all manner of evil things, and as a barrier against which eventualities the law exists. Of the actual objections to the great corporations or trusts, the only one which concerns the people is that of publicity, and this, as said before, is now recognized as a requisite in all cases. The other objection concerns stockholders, bondholders, employés, and creditors in general of the corporation. It is very probably true that there is room for improvement in our laws with respect to the rights of stockholders,

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and incidentally still more to the liabilities of directors. The Commission's first objection is, "majority rule allows the abuse of minority interests," but as our whole theory of government is founded on the rule of the majority, and as the abuse of minority interest is not only allowed but has been exercised in political life in a more drastic manner than ever dreamt of by any corporation, these facts preclude us from considering this as an objection in itself. The limitation of liability and the bringing into existence of the small investor are usually regarded as the greatest advantage of the corporate form rather than as objections, and if he, the small investor, "has no accurate source of information and is ignorant of public affairs," he should refrain from investing in anything and apply for the appointment of a guardian and a trustee. The publication of full, accurate, and independently audited accounts is made by all railroads and the better class of industrial corporations, and if the small investor, with or without the assistance of a friend, cannot obtain all the information necessary, it is his fault or misfortune. Compare the present condition of affairs with that existing up to a

generation ago, when business was in private hands or a few small corporations and the investor could obtain no authentic information whatsoever.

With reference to one objection, there exist in every English, French, and German corporation, provisions that large holders can only vote their shares beyond a certain number in the ratio of one vote to ten shares, or twenty shares, etc.

And as to the increased responsibility of directors, it is possible that some useful legislation might be enacted, but the existing laws are full and strict, as would be found if they were ever fully administered.

## CHAPTER IV

### COMPETITION

THERE are two remedies proposed for the evils supposed to accrue to society from the consolidation of industrial and transportation interests and the concentration of great wealth and power in the hands of comparatively few individuals. These are Government ownership on the one hand and free competition on the other. The former we shall examine in a separate chapter, while the present one will be devoted to a consideration of some of the various aspects of competition. The very term itself is something of a catchword, the real meaning and effect of which have only recently begun to be analyzed, and are as yet imperfectly comprehended by the mass of people. It has been regarded as in some measure the corner-stone of our industrial progress (during the last century), and with it are associated the American ideas of individualism and freedom of trade. It was a survival of

the great protest against monopolies, which were the usual concomitants of industry during the Middle Ages, and a reaction against the oppressive systems then prevailing ; while as the natural method, open to the colonists and early citizens of the Republic, of developing the country, it was admirably suited to the time and place.

Indeed it was the only method at that time open to them, for their limited number and the lack of capital, together with the character of the work, rendered any great combination of capital impossible, as it was indeed unnecessary. Associations and partnerships, of course, were gradually formed in the cities and towns, and eventually small corporations, but these were insignificant affairs, and partook more of the individualistic character than they offered any analogy to the great corporations of to-day.

Competition was then and until recently has remained the cardinal principle of industrial life, and the popular faith in it as a panacea for all economic evils seems to have survived the numerous shocks which it has received, and particularly the railway-rate wars during the eighties and nineties. Since that period,

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however, the evils of unrestricted competition have become more widely recognized.

A good deal has been said about unfair competition, and efforts have been made to disassociate competition from unfair competition. This is of course an impossibility. All competition is fair which does not violate the laws, and if competition becomes unfair, it is because the laws are not executed. In itself competition is a wrong principle, and is always unfair in the sense that the victory goes to the strong irrespective of right.

In its last analysis competition means—can mean—nothing but warfare, the gradual elimination of the weaker, and the survival of the fittest. It is as true of the physical as of the natural world, that harmony aids and friction retards progress, and competition is friction carried to its extreme. Not only this, but the logical effect of competition is to create monopoly. One by one the intrinsically weaker or less ably managed enterprise is eliminated by the stronger competitor, and the number becomes limited more and more, until perhaps one, the ablest and strongest of all, survives, and thus by the very effect of competition the most absolute kind of a monopoly is created,

for it is one which has achieved its position by conquest over powerful competitors and not obtained it through a grant which would be easily revocable.

The most potent concrete example of this is the case of the Standard Oil Co. It is undoubtedly the most unpopular trust in the country and has enjoyed that unenviable distinction for many years, and yet it achieved its power, its position, and its quasi-monopoly by precisely what is so vehemently demanded as a remedy for trust evils—*i. e.*, competition. Originally starting as one of many similar companies, it achieved its present pre-eminence by all the methods which together constitute competition—*i. e.*, by underselling, by better service, by better quality of goods, by obtaining lower rates for transportation, and generally by more intelligent and effective management than was exercised by its competitors. It obeyed the laws certainly as well as they did, and succeeded only because, under the principle of the survival of the fittest (the corollary of competition), it deserved to succeed. And yet no corporation in the country has been so often and so violently attacked in the courts, in the newspapers, and,

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above all, in politics. This example, while perhaps the most striking, is only one of many illustrating the illogical working of a large part of the popular mind. There is an insistent demand for competition, but the strongest objection to the logical result of competition. And the inconsistent reasoning and faulty logic have been translated into unfortunate legislation. It is sought to enforce by law competition in all forms of industry and to forbid combination. That is, the men engaged in similar industries are ordered to fight one another by all methods known to commercial warfare (of course, in order that the consumer may benefit), and are forbidden to act in unison and harmony. This in itself is as immoral as it is impracticable, and where it is pursued (not because it is enjoined, but from adherence to the old economic doctrine), the result is inevitably the same: the elimination of the weaker competitors, and the control of the entire field of each form of industrial enterprise by one dominant power, as in the case of the Standard Oil or the Tobacco Trust, or by a few combinations as exist in the iron and coal industry, railroad transportation, etc. Happily, the men controlling great corpora-



tions have of very recent years come to the conclusion that it is advisable from all points of view not to carry out to its logical conclusion the brutal doctrine of unrestricted competition, but to pause, and, reversing that policy, substitute the principle of union and harmony. This, however, meets with the most strenuous popular opposition, and competition is again urgently enjoined as the universal remedy for economic wrongs, with the inevitable result, exemplified in the case of the Standard Oil.

Appreciating that this is revolving in a vicious circle, the more logical minds demand, as the proper solution of the problem, Government supervision, control, or absolute ownership. From an abstract point of view, this is not only the logical but the correct solution. In its concrete form, however, and given human nature as it is, the remedy would be far worse than the disease.

The question naturally arises: Have we reached the end of a blind alley and is there no issue? The answer is: No, but the solution lies not in legislative enactments, not in controverting natural and economic laws and the moral laws, but in following them. The

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managers of great corporations have for some time learned the lesson that they prosper with the prosperity of the country and not otherwise; that they must assist and benefit the producer, the shipper, and the consumer, and not oppress them. The more he prospers, the richer he grows, the more he will buy from or pay to them. It is not altruism on which we must rely, but enlightened selfishness. Of course, there will be differences of opinion as to values and prices of commodities sold and services rendered, but an explanation between experts (or as a last resort an appeal to the courts) is undoubtedly better for all concerned than a decision by a political body ignorant of both ends of the controversy and with no pecuniary interest and probably no pecuniary responsibility. That is, any form of governmental supervision or control would vest the controversy in a body of men who are not experts on the subject-matter and who are not trained jurists.

No lasting satisfaction could, therefore, result from such a method of determining an economical issue, but only confusion, injustice, and eventually industrial paralysis.

And in addition to the remedy provided by

economic laws and by the action of the managers of great corporations in appreciating and following them, there is the inevitable law of nature which decrees that genius or very great talents do not descend from father to son, as also the necessary division and subdivision of wealth, and this, with the probable incompetence and prodigality which afflict every family, is more than sufficient to overcome the natural accretion of wealth owing to the growth of the country in a few hands. But aside from these remedies for economic conditions (against which so much complaint is made) in the present as in the future, these very combinations and consolidations, being stock companies, necessarily vest ownership in a great and growing number of people. And the enormously increased and constantly increasing number of people interested in the different industries not only adds to the distribution of the material wealth, but places it in the power of the smaller stockholders by union and combination to control the management, thus affording a solution of the social problem in accord with the moral, natural, and economic laws—the only solution which can have any value and which can endure.

## CHAPTER V

### SOCIALISM

**P**OLITICAL socialism would result in a form of slavery, and not the less so because the master would be composite and not individual. Government would resolve itself into an autocracy or bureaucracy, supported and maintained by the honest, hardworking citizens, and constantly increasing in numbers and power. Nothing could be more foreign to our nature and our traditions. It would be a reversion from the liberty acquired through centuries of suffering and struggle to the tyranny which so long oppressed the people in other countries.

It is no answer to say that we would elect our functionaries and rulers as we do now, for what influence has the average citizen now in Municipal, State, or Federal Government? The machines who rule us now would be ten times stronger, as their power and patronage would be vastly increased, and as now and even more so the worse elements would govern and the

intelligent, honest, and hardworking would forcedly toil and pay taxes for these and not for themselves and their families. Working thus for others in general, for the community at large, and for a large class of bureaucrats, can it be supposed that any man would work with the same intelligence and energy as for himself and family? Human nature is essentially lazy and will only work under the spur of necessity, and then simply to the extent the necessity requires or for the gratification of his desires and those of his family. As the appetite grows with what it feeds on, so the desires increase and multiply as they are satisfied. This and emulation are the spurs which goad man on to great useful and profitable work.

The theory of Anglo-Saxon civilization is based on the unit, the individual; of that derived from the Roman civilization, the so-called Latin races, it is the family and the community. With these, socialism is more logical, if in its relation to human nature also equally unsatisfactory and unprofitable. But with the Anglo-Saxon it is more than this, it is an absurdity and impossibility.

What applies to socialism here as a whole equally applies to socialism in part, as

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Government supervision, control, or ownership of certain factors in civilized life, called public utilities. Always excepting the true function of Government, namely, that of protector, of seeing that each man has the peaceful opportunity of exercising his own faculties to their fullest extent, provided the rights of others are not encroached upon, and also excepting certain other functions, such as education and laws bearing on health (both these being in a sense protection against crime, vice, and disease) the next care of Government should be to let people alone to work out their own salvation. Unfortunately now as a remedy for social and economic ills there is a great leaning towards socialistic experiments, as if the faults and weaknesses of human nature existing in individuals would be lessened by grouping them together under political leadership and in political form to carry out business enterprises.

By a grim humor, the present persistent demand from all sections of the country for governmental supervision, control, or even ownership of public corporations and public utilities is coincident with an unusual amount of legislative and private investigation of fraud and corruption,—not to mention general

inefficiency in the various departments of Federal, State, and Municipal Governments.

To argue that because a trustee has been unfaithful and dishonest therefore he should be entrusted with more money and more power by the people whom he has defrauded, is grotesque, but in its last analysis it is precisely this which is being insistently demanded by a large portion of the press and people. Of course there are reasons for this demand apart from the dream of theorists, the ambition of the unsuccessful and friendless, and the clamor of self-seeking demagogues. Among these are the flaunting advertisement and display of wealth by those who have suddenly achieved it, the colossal fortunes acquired by the few men and exploited in the sensational papers, and particularly the fraud and corruption occasionally disclosed in financial and commercial life. When, however, this is compared with what takes place almost daily in our Governments, particularly those of municipalities, and when it is borne in mind that the latter are trustees while the former are fighters for the means of sustenance for themselves and families and in the contest for which they risk their own fortunes, the difference is very great and all in

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favor of private as against Government control. It is to be observed also that the worst forms of corruption and crime occurring in private corporations are found in those supervised or controlled by Government, as witness the steamboat-inspection service resulting recently in the *Slocum* disaster, in banking- and trust-company failures and insurance-company scandals.

Of course, from an abstract point of view, governmental control or ownership of most corporations, particularly public utilities, is the ideal form, but given human nature as it is and as likely always to continue, the result never has been and never can be successful. Broadly speaking, under this system the trustee is expected to work for unknown *cestui que trust*, namely for the public,—which to most minds is an abstraction,—as intelligently and effectively as he works for himself. Evidently trustees of this character are rare, and the very fact of a man accepting such a position, while testifying to his high morality, would not testify to his intelligence or ambition, for a man's first duty is to himself and family, and second to the state, while his highest instincts tend toward free initiative in the great field of the



world's work, and not the circumscribed life of a communistic slave.

The old tradition is that the least governed are the best governed people, and no nation has adhered to this more than the American, until recently. When a variety of causes, combining with an unadmitted envy or jealousy of those who are successful among us and a restless dissatisfaction with conditions which are so favorable to some among us and so much less so to ourselves, lead us to seek so drastic a remedy as governmental ownership, we forget at once the lessons of history and our knowledge of human nature.

The most intelligent advocates of municipal ownership in New York admit that while the management will be less efficient and hard-working, and while there will be some political corruption, nevertheless the loss occasioned by these will not be equal to the water in the stock of most private corporations, and in support of this they instance the numerous over-capitalizations of the electric and gas companies and the traction systems. In both cases there is a basis of truth and probably a large basis, but most of the water was political toll and tribute levied by the State and City authorities.

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When, as is well known, members of the State and City Governments make vast fortunes for themselves out of corporations doing business in the State, how is it possible to assume that if they had the entire management of these corporations their tribute would not be very much larger? Admittedly, then, they would be inefficient, and, equally admitted, they would be corrupt, the only question being the amount of inefficiency and the extent of corruption.

But, still further argue the advocates of municipal ownership, our cities are corrupt because corporations make them corrupt. Is the truth not precisely the other way—that corporations are held up and obliged to pay toll and taxes as a condition of existence?

We are given numerous concrete examples of the alleged success of Government ownership abroad—the railways of Germany and to some extent in France, traction systems in Glasgow, Manchester, and other cities in England and throughout Germany, and numerous other examples abroad,—but the more intelligent and honest of those very foreigners deprecate such management by the Government or municipality, and admit its costliness and inefficiency even under such honest and

intelligent Governments as prevail in German and English cities. Mr. Pierre Leroy-Beaulieu says as follows in regard to governmental control of railways in France and their free management in America :

“With regard to railways a very great deal could be said, but the simple fact that freight rates are about half of the average rates charged in Germany and France, in the former of which countries the roads are owned by the Government, and in the latter partly controlled and partly owned, and this in spite of the fact that wages are very much higher than those paid abroad,—this fact alone and the admitted superiority from all points of view of railways ought to, at least as far as they are concerned, be a sufficient answer to the advocates of Government control or ownership.”

With public utilities in cities, however, the case is not so clear-cut or so precise, for the control of the water supply is in many cities permanently, and perhaps properly, invested in the municipality.

This particular instance is used as the most effective argument for the acquirement of other public utilities, and the good and abundant supply of water and its comparative cheapness are enlarged upon when, as at present in New York, this happens to be the case. This, however, stands upon a very different basis

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from other public utilities, and the argument of its reasonable cost is delusive; for, while that particular department may be well managed and conducted with apparent economy, the city Government as a whole is notoriously and absurdly extravagant, and the taxes levied for mere existence are preposterous. As an example, take a man owning a house valued at \$50,000, and a fortune of \$300,000 invested in bonds. On the house he pays to the city about 1.50 per cent. or \$750; for water, etc., sufficient to make it nearly \$800, while on his bonds he should, if he paid the personal tax as required by law, pay about \$4500. In other words his taxes as assessed by the city would amount to \$5300, to be paid out of an income of perhaps \$12,000.

Furthermore, whenever a city wishes to make a good showing for any department, its vast revenues, its system of bookkeeping, render it easy for an interested accountant to give that department the benefit of every possible credit, while the debit can be distributed into other accounts.

In other cities, as Philadelphia, Cleveland, etc., the water supply is notoriously expensive, insufficient, and bad. Indeed the enormous

consumption throughout the cities of Hygeia, Poland, and other waters, by people of modest means, is a standing testimony to the danger of city water in the popular estimation.

With regard to railroads in this country and in Europe, we have perhaps the greatest and most striking example of the free play of individual action with the different gradations of Government supervision, control, and ownership. The American railroad system comprises about two hundred and twelve thousand miles, or more than all Europe combined. Its agency in opening up, developing, and increasing the prosperity of the country can hardly be overestimated. All this vast system has been built, extended, and improved by private initiative and for the most part by private capital and has been managed practically independent of governmental interference or control.

In England the Government supervises, and in some instances controls, the operation of railroads; in France it not only controls but has a reversionary interest in them. In Germany it owns them entirely. And yet the freight rates in the United States are one third of those prevailing in England, and one half of

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those prevailing in France and Germany, and this in spite of the fact that wages are at least forty per cent. higher than in England and still more so than in France and Germany, and in spite of the prices of all materials entering into the construction and operation of railroads being much higher.

A most striking commentary upon the inefficiency of our municipal Governments is the existence of the very numerous private enterprises, auxiliary and supplementary to the local Government, as various charitable associations, those for the prevention of crime, of cruelty to children and to animals. Even the primal functions of Government are so badly performed—that is, protection to life and property, prevention of vice and crime—that private detectives and private watchmen are employed in all cities and larger towns.

## CHAPTER VI

### LEGISLATION

THE two psychological features of American character which have been most universally commented upon are its inherent honesty and its persistent good-nature, both of which are now being peculiarly exemplified. Conscious of wrongs done, sometimes crimes committed by men powerful in industrial combinations or in transportation industry, there has arisen among the people at large an outburst of hostile speaking and hostile legislation, not against the men who are guilty, but against trusts and railways. We are violent to the last degree against abstract propositions, but we are characteristically lenient when these are reduced to a concrete form. Probably in no country in the world are the statute-books so loaded down with penalties for all forms of crime or misdemeanor, and certainly in no country in the world are criminals so leniently dealt with. We abhor every form of crime in

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the abstract, but our kindly good-nature melts with pity when the abstract crime resolves itself into the concrete man. We denounce and legislate against such abstractions as combinations of capital, of labor, or both, whether engaged in manufacturing, mining, or transportation ; we enact sumptuary laws, we pile up statutes directed against the law of supply and demand, we forbid union and harmony, and we ordain that all corporations and incidentally all individuals shall compete with—that is to say, fight with—one another, and generally we decree that the laws of nature and economics are wrong, and that we shall supersede these by such fantastic legislation as is suggested by our imagination, after carefully eliminating such features as experience or knowledge.

In the meantime, the criminals under the old laws go about thriving and prospering, as they inevitably will under any new ones that may be enacted, the only sufferers being those whom it is sought to protect.

Does any one suppose that the most drastic anti-trust or railway-regulation laws, even were they administered by the most radical commission, would hurt the great captains of industry—



the multi-millionaires at whom they are aimed? But these would not be captains of industry or multi-millionaires if they could not protect themselves against pyrotechnics advertised so long ahead. They would have sold their holdings at the top price, and have remained tranquil and quiescent until after the inevitable failure of Government control and municipal ownership, and finally, when ruin and stagnation had settled upon the country, they would tranquilly resume possession of the properties they formerly owned or controlled at a fraction of the cost. In the meantime the savings-bank depositors, the holders of insurance policies, the small investors, the employés of railroad corporations, mining industries, factories, etc., etc., would have undergone the extremity of want, privation, and high prices for commodities due to the necessary taxation consequent on Government management of business affairs.

Being, as we are, inherently good-natured and kind of disposition, we are reluctant to apply the sanction of the law and punish the offender. We prefer to pass new and more stringent laws against abstract principles, trusting to their moral effect in the redemption of the criminal. We indirectly warn him and

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threaten him, but we hesitate, however irreclaimable he may be, to punish him.

This tendency, which has become more and more marked in recent years, to enact special laws, partly to frighten criminals and partly to meet conditions alleged to be special, errs in the falsity of the premises. If the criminal be not afraid of an old law he is not likely to be frightened by a new one, and if the previous law be not enforced there is no particular reason for fearing that the new law will be enforced. As for new and special conditions, they do not exist. They differ indeed in degree, but not in kind from those which have always existed in the economic life of peoples, and have much the same old theory of special laws and edicts as again and again have been tried with the same fruitless result. The Middle Ages teem with examples of the Government regulating the price of bread and meat, of establishing the kind and quality of clothes to be worn, and enacting all kinds of sumptuary laws. We smile at the natural failure of these as at the crude theories of children, and while we do not quite repeat the same errors we endeavor to establish an artificial value between gold and silver, we enact laws governing railway rates, and

make statutes interfering with and controlling the operations of commerce and manufacture, and generally abrogating the natural laws of supply and demand and the constitutional ones of freedom of contract and trade.

What will be the inevitable result? We cannot modify natural laws by statute laws, and we cannot violate the freedom of contract and trade without violating the Constitution. It is not long since that we had a painful example covering five years of poverty, suffering, and death owing to the resuscitation by our Legislatures of the mediæval idea that the Government could establish the value of silver by enactment. That heresy having been disposed of and the lesson forgotten, we are in keen pursuit of some other equally unfortunate, but which this time is liable to be more disastrous than the former in its effect. For any real injustice inflicted under our present economic system there is ample and adequate remedy in the law, or would be if the energies of Government were concentrated on the enforcement of laws as they stand and the punishment of criminals rather than launching into foolish departures from the lessons of experience and the knowledge of natural and economic laws which

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ought to be the universal heritage of Americans. But we love to explore new and by us untried fields, and we believe that we can experiment safely and fearlessly upon a people so thrifty and industrious and a nation so wealthy as ours, and in the past this has been true. The nation has thriven in spite of Government. The honest, hardworking, and intelligent American in the aggregate can earn more and save more than demagogues and philosophers of arrested development can take away. The American of ability, intelligence, and energy—and what American does not believe himself invested with these qualities?—naturally starts out with an ambition of winning fortune and incidentally fame for himself and the family which he hopes to have. These are honestly won only in business or the professions, both of which are free and open to him after the education which his country so liberally provides. If he succeeds in these he continues until his death with unfortunately no political thought or ambition except that in a few cases, having achieved the wealth and social distinction he requires, he seeks the crowning glory in public office, in which he is as honest and successful as he was in his business. Those who can not or do not

achieve any success in the professions or business drift into politics as easier and more lucrative than the life of an employé or clerk. Those who are unscrupulous frequently enter politics at once as the quickest and surest way of amassing a fortune. Another and very small class, the young men who prefer fame to fortune, enter politics for that purpose, and form, with the retired and successful business or professional man, the leaven which leavens the lump of political life.

Constituted thus as our national and State legislatures are, it is evident that the vast business interests of the country have been in constant conflict with the stupid men and drones in political life, having as their allies only those of their own class who have entered political life as a crowning glory to their career and the few brilliant men who have adopted it for fame alone. These being a minority, a majority is secured to avert hostile legislation or to secure that which is advantageous only by purchasing the venal element amongst them.

Reverting to the legal aspect of social life, we find in the disregard and disobedience of the law so generally exhibited not so much a deterioration of American character as an

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ultra-conservative clinging to principles of social and industrial life upon which the colonies and later the Republic of the United States were founded, namely the pre-eminence of the right of the individual in contradistinction to the rights of society.

We are still living under the following conditions: Laws framed on the theory that the individual is all and society nothing; laws but little changed from an era when social and economic life was relatively simple and pursued on small, uncomplicated, and particularistic lines; legal procedure still more emphasizing this principle of all for the individual and nothing for society, and even more archaic and out of place in this twentieth century than the laws themselves.

The enormous changes from a comparatively recent period to the present in all phases of social and economic life are so stupendous that we find it hard to realize that our fathers or at least our grandfathers lived in a world so different from our own—different in all but the laws and their administration. As well adapted as these were to the conditions of life then existing, so in spite of some necessary changes and amendments, they are archaic, ill adapted, and

utterly inadequate to the infinitely complicated phases and vast plane of modern life.

We have this mediæval body of laws, chaotic and different in different States, a procedure equally out of date and equally varied, and for the interpretation, administration, and execution of these laws we have officials nominated by the machines and virtually elected by them, for a short tenure of office. If appointed, the process is practically the same, with an additional gradation in the political machinery.

In civil as in criminal matters the same causes operate, although in a less degree. In these it is mainly the ultra-conservatism of the law based on precedent, so dear to the English and American heart, but which in its last analysis is retrogression, and also the involved, dilatory, and cumbersome procedure with the retention of the jury system.

Under this system as it exists at present, the intelligent, well informed, and reasoning man is debarred from sitting as juror in any but obscure and trivial cases. Besides this, the dilatoriness of procedure makes men of intelligence and substance reluctant to serve, even when by chance they might be eligible, as interminable time is sure to be wasted in delays

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and frivolous procedure, chiefly owing to the highly technical and arbitrary rules of evidence. The only features which preserve the law from falling into contempt are its general fundamental basis of equity and the high character of the judiciary.

Society has therefore reached this stage: that, although having in a strong degree the American characteristics of reverence and respect for law, it has found itself for some time inadequately protected by law, and it has come to the realization, more and more strongly impressed upon it, that modern life, modern tendencies, and modern aspirations are not properly interpreted by the law.

Law should of course represent the combined desires and wisdom of a people, but only when they are firmly fixed in the life of a people. To accomplish this and to avoid consolidating into fixed principles their evanescent and varying moods and wishes, it must necessarily be conservative. Conservatism, however, is not stagnation, and the law should interpret what have become the fixed features of social and economic life; in short, should be modern and representative of existing conditions—and this the law is not.



Its administration and procedure, even its principles, are hopelessly behind this age of railways, telegraphs, and telephones, and still more hopelessly archaic in an age of vast consolidations of capital, unions of labor, the modern newspaper, and the infinite and varied forms of life in this twentieth century.

All this being so, the American people, law-abiding in spirit as ever, find themselves floundering about in an unknown and troubled sea, with their old anchor unavailable and well-nigh useless.

In consequence we have the vague unrest and discontent permeating the body politic, evidenced in labor troubles of greater or less violence, lynchings and strikes; a new class hatred, violent attacks on corporations, vicarious assaults on individuals for their wealth, for their independence in speaking as they like, or in working for whom they choose; in short, a sort of legal anarchy. Consequently we see the most vague and conflicting ideas of the functions of Government, uprisings of citizens in peaceful protest or violent insurrection, despairing of the law as enacted in the statute-books and decisions of the courts, and trusting to

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natural equity and the justice which law-abiding, hard-working citizens think should exist, even if nowhere to be found.

In the earlier days of the Republic, and until recently indeed, lawyers were the leaders of society in the broadest sense, but for some reason they have fallen behind in their high mission, and are quite as often engaged in counselling the evasion of the law as it exists, or planning to secure immunity to their clients from any possible future enactments. Where the interests at stake are not vital, we see every form of extra-legal settlement resorted to, such as arbitration, compromise, etc. When they are vital, we see lynchings, vigilance committees, and various forms of natural and summary justice administered.

That thoughtful citizens realize the gravity of the situation is evident from the comments by prominent men, by the every-day man in the street, and in the newspapers, upon the various phases of lawlessness which manifest themselves.

The papers of the North have for a long time been animadverting upon lynchings in the South, but ascribing it exclusively to race prejudice. The newspapers of the South retort

that, if the North and West lived under similar conditions, lynchings would be equally frequent there, and refer besides to the numerous strikes and accompanying violences as evidence that lawlessness is equally prevalent in these sections. But in all the comments and studies made upon the situation sufficient attention does not seem to have been given to the root of the matter. Race prejudice is not alone responsible for lynchings, any more than is the hostility of labor against capital responsible for strikes and other forms of violence in the North and West.

Were justice administered with celerity and as near infallibility as human institutions can come, instead of haltingly, uncertainly, and with a thousand provisions favoring the criminal and none society, there would be no occasion for lynchings and violence in strikes. In the former case it is felt that punishment to have its adequate effect must be quick and decisive, whereas the antiquated and dilatory administration of law, its impossible rules of evidence, its obsolete jury system, all render the trials inevitably slow, the conviction more than doubtful even in very flagrant cases, while the facility of appeals gives the criminal, when

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convicted, a long lease of life and a very good chance of going free at the last.

In the case of violence in individual cases or accompanying strikes in the North and West, crimes are committed because the fear of the law has almost died away owing to the above causes, and further because the extreme goodness of the average American is sure to guide the officials and jurors.

Thus the waning regard for the law is responsible not only for lynchings, the crimes accompanying strikes, and other social and individual crimes, but also for the great and growing feeling of unrest and dissatisfaction with existing social conditions and class hatred, which lead to criminal acts. It is further responsible for the numerous frauds in financial and commercial life, and the wonderfully developed profession of blackmail against corporation and individual alike.

Instead, therefore, of enacting new laws against conditions and theories and every form of abstraction, let us execute those that we already have against the individuals who transgress and err. They are either innocent or guilty, whether they be day laborers or capitalists with a score or two of millions. They are

each seeking precisely the same thing—that is to say, comfort, security, and wealth, not for themselves, for Americans are the most unselfish of people, but for their wives and families; and they have equal opportunities, for no greater safeguard can be given than that afforded by the provisions of the Constitution of the United States, and no greater opportunity can be afforded than that which the individual should have before the law, of working in or out of a union or in or out of a trust. Both are combinations, the one of men, the other of capital, and both are not only useful but necessary in modern industrial life, but both are within and not without the law, or would be were the law enforced as it is written. But we shall seek in vain for a remedy when we enact laws against corporations and trusts and yet invite to high position and place in the Government the directors and managers of the trusts under indictment for a violation of the laws.

## CHAPTER VII

### LABOR

**I**N the study of the relationship of labor to economic life, three convenient divisions of the subject may be made. The first, individualism and unionism; the second, unions of labor and of capital; and the third, public and organized labor.

Individualism, which has been the distinguishing characteristic of Americans for two hundred and fifty years, which, indeed, was the superinducing cause of the immigration of the first colonists, as of the successive streams which have flowed to this country in different volumes at different periods, has remained until recently, or perhaps even now is, the most potent factor in creating the richest and most prosperous country in the world from the raw material of a savage wilderness, and in building up the greatest and most powerful of nations from a few scattered and impoverished colonies. Now, however, on the threshold of the twentieth century, this force, which has

accomplished so much, is giving way to collectivism, which for decades has retarded the development of England, and which in Australia and New Zealand has piled up the largest debt *per capita* of any country in the world, driven away immigration and paralyzed industry. We have achieved unquestioned predominance among the nations of the world by the full and perfect development of individualism, and our chief rival has fallen more and more behind in the race for commercial and industrial supremacy, owing to the tyranny of trade unionism.

A few years ago every American workingman possessed the keen desire, and, possessing it, was conscious of the power to rise in the scale of life by his own force of character, intelligence, and ability. He had numerous examples before him and about him, and he asked no assistance of the law beyond freedom in the exercise of these qualities. Now, although the opportunities are as great and the examples of successful achievement as numerous, the old American spirit of independence, self-confidence, and ambition seems to be dying away, emasculated by the doctrine of socialism and paternalism in Government.

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It was not so many decades ago that to join a labor union would have seemed a confession of weakness, a renunciation of ambition, and a lack of self-confidence. But of late, the old virility of the American workingman, whether of native birth, or of Irish, German, or Scandinavian origin, seems largely to have gone. Instead of the sublime confidence in his ability to rise, his moral fibre has relaxed, and he finds it easier to become part of a union and be reduced to the dead level of the slowest and stupidest. At any rate he will be fed, and life will be easier. He cannot hope to rise by excellence of workmanship to become a captain of industry himself, or to acquire a fortune large or small by superior industry and frugality; but he is provided with easy work, good pay, and short hours when well, and some provision when sick or in distress.

This generalization, however, would be unfair if it were applied to all or even the majority of American workingmen. In spite of noise and publicity, in spite of the power of advertising and of making itself felt which an organized force, however small, has over an unorganized mass, the number of men enrolled in unions forms but a small percentage of work-



ers with the hand, and among these the number of Americans by birth and descent is still smaller. The idea is foreign, the composition of the unions is foreign, and there is little to appeal to the aspiring and ambitious American workingman. But even for him it is not always easy to resist the trend in a particular locality or field of work, for the Government does not always give the independent workingman the support to which he is entitled under the law. The executives, high and low, have been too fearful of losing votes or too eager to obtain them to do justice to the independent.

Labor unions are too prosperous and too strenuous for the average politician to resist, so they are cajoled and petted, and the independent is sacrificed. With this in retrospect or in prospect, he is tempted to join the union, for the *imperium in imperio* is a better protector than the *imperium* itself. Where, however, the protection is more adequate, where public sentiment has been more than usually outraged, the unions disintegrate rapidly, and the more ambitious and forceful workers gladly assume the opportunity to act on their own account. We are having numerous

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examples of this by the growth of bands of strike-breakers appealing to the most adventurous of workingmen. All would seem to show that the zenith of the power and tyranny of unions has been reached. The principles, ideas, and policies of labor unions are in direct antithesis to the qualities which have made the American nation so great and so prosperous. Among these qualities, the first is independence, the second, superior intelligence, the third, industry, and lastly, the divine hope or consciousness that one can rise above the mass by the qualities inherent in so many Americans, and which only need cultivation and the opportunities of exercise. To all these, labor unions are a complete extinguisher. The level maintained in and by a union must be the intelligence and ability of the slowest and stupidest, and the tendency naturally is to reduce this level. He does not strive for more pay for more work, but more pay for less work ; not for longer hours and greater pay, but for shorter hours and more pay. When the country is prosperous and industry thriving, he demands a share of that prosperity ; when adversity comes in its turn, he will not accept the converse of the proposition. The great argu-

ment of labor, that it must combine in self-defence against the combination of capital, is doubly faulty, for capital and labor are not antagonistic, but mutually interdependent ; and it is fundamentally wrong, in that capital combines for greater efficiency, while labor combines for the purpose of lessening efficiency.

It is not that unions of labor cannot be useful and profitable to the country at large, for several of these are, those of locomotive engineers and of firemen being the most noted examples and potent factors in the increase in the country's wealth and prosperity. But the principles of labor unions must be entirely changed : individualism can not, must not, be crushed out, but allowed to develop superior address and industry, and to establish higher levels for general effort and attainment, for unions can have gradations as well as other combinations. Instead of the individual being absolutely subordinate to the union, the union should in a sense adapt itself to the different individuals composing it ; and the standard, instead of being adapted to the least intelligent and industrious, should be raised to the level of those who excel in these qualities.

The unfortunate feature in these contests

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between labor and capital is that the chief sufferer is the innocent third party—namely, the public, comprising the consumer, the small investor, or both. The great trusts, the great aggregations of capital, and the great capitalists individually, alone understand labor unions and deal with them as suits their present interests, unfortunately disregarding the future, and particularly the ultimate effect upon the great third party, the quiet, hard-working, self-absorbed public.

Labor organizations show their lack of education and trained intelligence by never understanding or appreciating economical conditions until such conditions are in process of change. They are slow to anticipate and slower to realize the advent of the various conditions which go to make up the national prosperity, and only awaken to their realization when it is at the zenith or already on the decline. And it is usually only then that they formulate their demands for higher pay and shorter hours.

The capitalistic interests, on the other hand, possessing not only a great proportion of the capital but an even greater proportion of what might be called the practical, commercial brains of the country, are the first to discern the signs

of coming prosperity, and the first to profit by it. Weighing all known conditions, and allowing for the unexpected, they utilize them to the utmost, and when the ever-recurrent demands of labor occur they are prepared to act upon them *scienter*, concluding almost invariably to grant them when there is any possible justification in the business of the country, and until they reach the prohibitive stage.

But when the inevitable deadlock is reached, and every one earns less, expects less, and lives on less, excepting organized labor, strikes begin. And even these rarely have as their basis the question of wages, but some other form of the demands—so often unreasonable—of the unions. When this stage is reached, the sufferers are not the capitalistic interests, who have understood and provided for the occasion, not the unions, who in their way have done likewise, but the public. Its rôle is that of the honest, absorbed worker with hand or brain in the diversified fields of human endeavor, leading the happy, laborious life of the American citizen, doing his duty in the highest form to himself and his family, but neglectful of his public and social duties,—until when the crisis comes, marking the dividing line between prosperity

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and adversity, the force of circumstances awakens him from his self-absorption, and he begins to study the situation. Uninformed and ignorant, his kind heart and easy-going good-nature incline him to sympathize with labor, although he knows that wages are from 30 per cent. to 60 per cent. higher in this than in other civilized countries, and that food products are cheaper.

If this is true of the average citizen, it is still more true of the average politician. He also has the easy-going good-nature of the average American, and in addition, being in politics, is in perennial need of votes and naturally has a wholesome fear of labor organizations.

Of these three elements, therefore, the capitalistic, the political, and the average citizen, only the first understands the labor situation, and has chosen to avail of its knowledge shrewdly, advantageously, but without forcing any issue of principle. The burden has, therefore, fallen upon the latter two, or, as the politician has yielded to practically all the demands of organized labor, the sole burden of struggling for a principle and seeking an honorable and equitable solution has fallen upon the average American.

Ignorant as he has been, he is becoming more enlightened as to the real objects and purposes of labor unions, and instead of believing, as hitherto, that their demands are simply for more pay and shorter hours, with which he had a sentimental sympathy, he now realizes that a monstrous tyranny has grown up, and that the demands of the unions strike at individual liberty and national freedom. He learns that they are not incorporated because they do not wish to be subject to, but to override, the law. He learns with amazement that it requires a decision of the highest court of a State to establish the principle that a man may work, as well as live and breathe, although not affiliated with a union. It seems hard, almost incredible, that less than two million members of unions should be able to dictate to the other eighty millions, as to when, how, and for whom they shall work, and the compensation they shall receive. And he is amazed and ashamed at the supineness of himself and the other many millions like him—the backbone and strength of the country—in allowing such tremendous encroachments on their rights, not alone as Americans, but as men. He thinks of his ancestors, who built up from a few isolated

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and impoverished colonies the greatest nation of the world, leaving comfort and home for an unknown wilderness to seek political and religious liberty in their fullest measure. He thinks of the Revolution fought for a principle, an ideal ; of the Rebellion fought in order that slaves might be free ; of the nearly three centuries of struggle, hardship, and war endured by Americans not so much to escape oppression as that not even a shadow should be cast upon the lofty standard of personal liberty which they had set up. What an awakening to find that he, the descendant of these heroes, is writhing under a tyranny far greater than any against which they had fought, a tyranny exercised by an insignificant fragment of the people not only in numbers but still more in intelligence and character, and worst of all, a tyranny exercised in violation of every law, human or divine!

It seems, the more the facts are realized and the consequences contemplated, an impossible nightmare, but to such a pass have we literally come. Since, however, we have reached this point, since the crisis has become acute, the inevitable revolt is at hand. And of this the signs are manifold, so much so that even tim-



orous politicians are beginning to perceive them and to oppose at least the resistance of *vis inertiae* to the most exorbitant pretensions of labor unions. And if the revolt is at hand, the remedy is near, and the remedy is, of course, in the law, not in its enactment, nor in its interpretation, but in its *enforcement*.

If the situation into which we have drifted had been appreciated sooner by the average American, we should not be in the industrial deadlock from which we suffer periodically. The unions could continue to prosper in their legitimate sphere and achieve far more than they are ever likely to accomplish under the present conditions of ignorance of the fundamental laws of human society, and a greater ignorance still of the laws of economics.

Deluded by a few unscrupulous leaders, their ideas distorted and minds perverted by the yellow press, ordinary men become infiltrated with class hatred and bitter antagonism to all who have acquired wealth or even a competency. This is so foreign to the American character, to our principles of government, that there is little likelihood of it becoming widespread or effective for evil as has been the case in countries where

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such class distinctions do exist, or rather did exist.

In the recent period of immense activity and general prosperity, the labor organizations had everything more or less their own way. There was so much to go around that their material demands were readily granted, and the rights and privileges they arrogated to themselves were ignored or tacitly acquiesced in, as every one was too busy creating wealth to spare the leisure and energy for a contest on behalf of principle. When, however, the penitential season shall have arrived, the public will awaken to a realization of the shameful condition of servitude into which it has drifted, and of the abyss towards which it has been tending.

It is not that unions have not a recognized and useful place in the economic structure,—a place which by enlightened co-operation (not only in profits, but in losses) could be made most powerful and productive of good. No one controverts this, and the most disliked trust or capitalistic combination should be credited with sufficient intelligence to appreciate the fact that neither it, any more than labor, can prosper and thrive at the expense of

the other, and that their well-being and success are dependent upon the prosperity of the country at large.

What the unions have not understood is that they must work and accomplish their results under and by virtue of the law, as do all other individuals, or combinations of men and capital. That is the first essential, and the second is that they must study and endeavor to understand economic conditions past and present, in order that they may act in harmony with them, and not in opposition, realizing that the laws of nature are still more inexorable than the laws of man.

## CHAPTER VIII

### THE COST OF LIVING

**I**T is always difficult to write anything very definite on the cost of living in any country during a particular time, or to make comparisons between one country and another, and it is peculiarly so at the present time. All comparisons which have been made between the United States and Europe as to relative wages, cost of living, and the prices of more or less necessary commodities are necessarily vague and useless for any social or economic purpose. The wage-earning classes undoubtedly receive much less in England than here, less in France than in England, and in Germany the least of all three countries ; nevertheless the laborers, whether outdoor or indoor, and the workingman, are as healthy and efficient a class in Germany as in England, and nearly as sturdy as the average class in the United States. Not only are they physically

well, but they have their amusements, their family life, moderately short hours, and the usual number of holidays which exist in Germany.

The American workman, however, if restricted to the diet of the German workman or even the French or English, would suffer not only mentally but physically, for the standard which exists here is not new but the outgrowth of generations of well-being and comfort superior to that prevailing in European countries among workers with the hands. This condition also is profitable not only to the workmen but to the employer, for the American accomplishes almost 50% more than the German and 40% more than the Englishman.

Leaving aside therefore all comparisons between American and foreign workers with the hand, let us examine, first, the cost of living and the relative prices of commodities in the United States within recent years, and, second, the opportunities for employment and the relative wages paid both the individual and the aggregate mass of workers with the hand. The most reliable and complete statistics on these heads are the reports of the Bureau of

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Labor; from Number 53, for July, 1904, I make the following comprehensive extracts.<sup>1</sup>

"The figures of income and expenditure furnished in detail by 2567 families in 33 States, representing the leading industrial centres of the country, comprise the material for the detailed study of the cost of living. Certain data, which do not enter so much into detail, were collected in regard to the cost of living in 25,440 families, and the results are extensively summarized in the full report. The information relating to each family was secured directly from the husband or wife, or both, by the personal visit of a special agent of the Bureau, and the most important inquiries propounded were those relating to the earnings of the husband, the wife, and the children, and the expenditure of the family for housing, fuel, lighting, food, clothing, and other purposes during the year.

"The following table shows, for five geographical divisions and for the United States as a whole, the number of families investigated in detail, the average size of family, the average income per family, the average expenditure per family for all purposes, and the average

<sup>1</sup> *Bulletin of the Bureau of Labor*, July, 1904.

expenditure per family for food, the figures being for the year 1901 :

NUMBER OF FAMILIES, AVERAGE SIZE OF FAMILY, AVERAGE INCOME PER FAMILY, AVERAGE EXPENDITURE PER FAMILY FOR ALL PURPOSES, AND AVERAGE EXPENDITURE PER FAMILY FOR FOOD, DURING THE YEAR 1901.

Geographical division.	Families.	Average size of family.	Average income per family.	Average expenditure per family for all purposes.	Average expenditure per family for food.
North Atlantic States ....	1415	5.25	\$834.83	\$778.04	\$338.10
North Central States ....	721	5.46	842.60	785.95	321.60
South Atlantic States....	219	5.30	762.78	700.62	298.64
South Central States.....	122	5.65	715.46	690.11	292.68
Western States.....	90	4.69	891.82	751.46	308.53
United States.....	2567	5.31	\$827.19	\$768.54	\$326.90

“This table shows that the 2567 families consisted on an average of 5.31 persons, 0.7 person above the average of private families in the whole country as shown by the Census of 1900. This larger size of family was not due to any intentional selection of larger families, for the only basis of selection was that the head of the family must be a wage-worker or a salaried man earning not over \$1200 during the year, and must be able to give information in regard to his expenditures in detail. The average income for the year of these 2567

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families from all sources was \$827.19. The average expenditure for all purposes was \$768.54, and the average expenditure for food was \$326.90 per family, or 42.54 per cent. of the average expenditure for all purposes.

“The two summaries which immediately follow are also based on the facts ascertained by the special inquiry covering 2567 families. From these it was found possible to secure accurate data not only as to the total expenditures for food, but also as to the quantity and cost of each of the several articles consumed during the year. Data in minute detail were also secured from these families as to their expenditures for other purposes. The summary showing the average quantity and cost of the food consumed in the 2567 families during the year follows. [See page 93.]

“From the following table it is seen that the average family consumed 349.7 pounds of fresh beef during the year, and that the cost was \$50.05; the average quantity of salt beef consumed was 48.6 pounds, costing \$5.26, etc. As practically all of the family schedules were secured in the year 1901, this may be considered as showing the cost in that year. The quantity of some articles could not be given.



These articles include vegetables other than potatoes, fruit, vinegar, pickles, and condiments, and other food. The average cost of all food for the 2567 families during the year was \$326.90. The average total expenditure of these 2567 families for all purposes as shown in the previous summary was \$768.54.

## AVERAGE QUANTITY AND COST PER FAMILY OF THE VARIOUS ARTICLES OF FOOD CONSUMED.

Article.	Quality.	Cost.
Fresh beef.....	349.7 pounds.	\$50.05
Salt beef.....	48.6 pounds.	5.26
Fresh hog products.....	114.2 pounds.	14.02
Salt hog products.....	110.5 pounds.	13.89
Other meat.....	77.7 pounds.	9.78
Poultry.....	67.7 pounds.	9.49
Fish.....	79.9 pounds.	8.01
Eggs.....	85.2 dozen.	16.79
Milk.....	354.5 quarts.	21.32
Butter.....	117.1 pounds.	28.76
Cheese.....	16.0 pounds.	2.62
Lard.....	84.4 pounds.	9.35
Tea.....	10.6 pounds.	5.30
Coffee.....	46.8 pounds.	10.74
Sugar.....	268.5 pounds.	15.76
Molasses.....	3.6 gallons.	1.69
Flour and meal.....	680.8 pounds.	16.76
Bread.....	252.7 loaves.	12.44
Rice.....	25.1 pounds.	2.05
Potatoes.....	14.7 bushels.	12.93
Other vegetables.....	.....	18.85
Fruit.....	.....	16.52
Vinegar, pickles, and condiments...	.....	4.12
Other food.....	.....	20.40
Total food.....		\$326.90

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“In order to ascertain the course of retail prices of food for a series of years and the consequent changes in the cost of living as regards food, the Bureau through its agents secured from the books of 814 retail merchants, in the same localities from which data relating to family expenditures were obtained, the retail prices of the principal staple articles of food. These figures in all cases represent the actual sales to consumers and may, therefore, be considered entirely trustworthy; and covering as they do all parts of the country they may also be considered thoroughly representative. Prices were taken for each month during the fourteen years of 1890 to 1903, inclusive, which was as far back as it was practicable to go. These covered 30 distinct articles, and, under each article, various grades and descriptions of that article. From the monthly prices average yearly prices were computed, and these will be shown in detail in the forthcoming report for each locality covered. In order to show the changes from year to year, relative prices or index numbers were computed. These relative prices consist of a series of percentages showing the per cent. the price in each year was of the average price for the ten-year period from 1890

to 1899. This average price for the ten-year period was selected as the base, because it represented the average conditions more nearly than the price in any one year which might be selected as a base for all articles. With each article represented by a percentage or index number, it is possible to combine the several percentages and compute the percentage showing the relative price from year to year of all food. Several very interesting summaries from the report are here presented. The first shows the relative prices for each year from 1890 to 1903 of the staple articles of food for which the retail prices were secured:

## RELATIVE RETAIL PRICES OF THE PRINCIPAL ARTICLES OF FOOD, 1890 TO 1903.

(Average price for 1890-1899 = 100.)

Year.	Apples, evaporated.	Beans, dry.	Beef, fresh roasts and stews.	Beef, fresh steaks.	Beef, salt.	Bread, wheat.	Butter.	Cheese.	Chickens.	Coffee.
1890.....	100.0	103.3	99.5	98.8	97.5	100.3	99.2	98.8	101.3	105.4
1891.....	110.3	106.2	100.0	99.4	98.3	100.3	106.4	100.3	104.0	105.2
1892.....	99.3	102.4	99.6	99.3	99.5	100.3	106.8	101.5	103.8	103.8
1893.....	107.0	105.0	99.0	99.6	100.3	100.1	109.9	101.8	104.2	104.8
1894.....	105.8	102.8	98.3	98.2	98.9	99.9	101.7	101.6	98.6	103.3
1895.....	97.4	100.5	98.6	99.1	99.6	99.7	97.0	99.2	98.4	101.7
1896.....	88.6	92.7	99.1	99.5	99.8	99.9	92.7	97.9	97.1	99.6
1897.....	87.8	91.5	100.3	100.2	100.9	100.0	93.1	99.0	94.0	94.6
1898.....	95.4	95.9	101.7	102.0	102.1	99.8	95.1	97.5	96.8	91.1
1899.....	99.5	99.7	103.7	103.9	103.2	99.6	97.7	102.4	101.8	90.5
1900.....	95.2	110.0	106.5	106.4	103.7	99.7	101.4	103.9	100.8	91.1
1901.....	96.8	113.9	110.7	111.0	106.1	99.4	103.2	103.3	103.0	90.7
1902.....	104.4	116.8	118.6	118.5	116.0	99.4	111.5	107.5	113.2	89.6
1903.....	100.8	118.1	113.1	112.9	108.8	100.2	110.8	109.4	118.5	89.3

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### RELATIVE RETAIL PRICES OF THE PRINCIPAL ARTICLES OF FOOD, 1890-1903—*Continued.*

(Average price for 1890-1899 = 100.)

Year.	Corn-meal.	Eggs.	Fish, fresh.	Fish, salt.	Flour, wheat.	Lard.	Milk, fresh.	Molasses.	Mutton and lamb.	Pork, fresh.
1890.....	100.0	100.6	99.3	100.7	109.7	98.2	100.5	104.7	100.7	97.0
1891.....	109.7	106.9	99.6	101.7	112.5	99.8	100.5	101.7	100.6	98.7
1892.....	105.2	106.8	100.1	102.2	105.1	103.6	100.6	101.2	101.0	100.5
1893.....	103.1	108.1	100.1	103.4	96.1	117.9	100.4	100.6	99.9	107.0
1894.....	102.2	96.3	100.4	101.5	88.7	106.9	100.2	100.3	97.8	101.8
1895.....	100.8	99.3	99.8	98.9	89.0	100.1	100.0	99.0	98.7	99.7
1896.....	95.0	92.8	100.2	97.5	92.7	92.5	99.9	98.7	98.7	97.4
1897.....	93.7	91.4	99.8	95.2	104.3	89.8	99.7	97.7	99.6	97.6
1898.....	95.0	96.2	100.5	98.8	107.4	93.9	99.4	97.9	100.4	98.6
1899.....	95.1	100.1	100.2	100.2	94.6	97.1	98.9	98.2	102.6	101.7
1900.....	97.4	99.9	100.4	99.1	94.3	104.4	99.9	102.2	105.6	107.7
1901.....	107.1	105.7	101.4	100.9	94.4	118.1	101.1	101.3	109.0	117.9
1902.....	118.8	119.1	105.0	102.8	94.9	134.3	103.3	102.1	114.7	128.3
1903.....	120.7	125.3	107.3	108.4	101.2	126.7	105.8	103.8	112.6	127.0

### RELATIVE RETAIL PRICES OF THE PRINCIPAL ARTICLES OF FOOD, 1890-1903—*Concluded.*

(Average price for 1890-1899 = 100.)

Year.	Pork, salt, bacon.	Pork, salt, dry or pickled.	Pork, salt, ham.	Potatoes, Irish.	Prunes.	Rice.	Sugar.	Tea.	Veal.	Vinegar.
1890.....	95.8	95.3	98.7	109.3	116.8	101.3	118.6	100.0	98.8	102.9
1891.....	96.6	98.9	99.3	116.6	116.5	102.5	102.7	100.4	99.6	105.5
1892.....	99.1	100.5	101.9	95.7	113.5	101.3	96.2	100.2	100.0	102.7
1893.....	109.0	108.7	109.3	112.3	115.6	98.4	101.5	100.1	100.0	99.5
1894.....	103.6	103.4	101.9	102.6	100.9	99.0	93.8	98.7	98.7	99.8
1895.....	99.4	99.2	98.8	91.8	94.2	98.8	91.8	98.5	98.5	98.9
1896.....	96.7	95.5	97.6	77.0	86.8	96.7	96.6	98.8	99.5	97.2
1897.....	97.4	97.3	98.2	93.0	84.3	97.9	95.7	98.5	99.9	97.4
1898.....	100.2	99.1	95.1	105.4	86.3	101.7	101.3	100.7	101.2	97.9
1899.....	102.9	101.8	99.2	96.1	85.1	102.4	101.7	104.4	103.7	98.3
1900.....	109.7	107.7	105.3	93.5	83.0	102.4	104.9	105.5	104.9	98.5
1901.....	121.0	117.5	110.2	116.8	82.6	103.5	103.0	106.7	108.8	98.9
1902.....	135.6	132.5	119.4	117.0	83.4	103.5	96.0	107.2	115.2	99.5
1903.....	139.8	129.0	121.3	114.8	80.2	103.9	96.1	106.0	114.9	99.1

“From this table it is seen that the price of fresh roasting and stewing beef in 1890 was 99.5 per cent. of the average price during the ten-year period from 1890 to 1899. In 1891 the price was exactly the average price for the ten-year period—that is, 100.0. The lowest point reached was in 1894, when it was 98.3 per cent. of the average price for the ten-year period. The highest point reached was in 1902, when it stood at 118.6. In 1903 it stood at 113.1, or 13.1 per cent. higher than the average price for the period from 1890 to 1899. In the use of these tables showing the relative figures, it should be borne in mind that the difference in the relative prices in any two years is not the per cent. of difference in the cost. For example: the relative price of fresh roasting and stewing beef was 98.3 in 1894 and 113.1 in 1903. The difference in the relative prices is 14.8; and this figure being 15.1 per cent. of 98.3 the per cent. of increase in 1903 over 1894 is 15.1.

“The next summary shows the relative prices of food, considered as a whole, for each year. The importance of the various articles or groups of articles of food in the family consumption having been determined from the expenditures

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of the 2567 families referred to above, the relative prices of the several articles of food were weighted according to this importance. The result, shown in the following table, gives for five geographical divisions and the United States for the period 1890 to 1903 the relative retail price of the food consumed in one year by a workingman's family, compared with the average price for the ten-year period 1890 to 1899:

RELATIVE RETAIL PRICE OF FOOD, WEIGHTED  
ACCORDING TO THE AVERAGE FAMILY  
CONSUMPTION, 1890-1903.

(Average price for 1890-1899 = 100.)

Year.	North Atlantic States, 1415 families.	North Central States, 721 families.	South Atlantic States, 219 families.	South Central States, 122 families.	Western States, 90 families.	United States, 2567 families.
1890.....	102.3	102.3	101.2	102.1	107.7	102.4
1891.....	103.2	104.5	102.1	103.6	108.7	103.8
1892.....	102.1	101.8	101.1	100.7	105.2	101.9
1893.....	104.4	105.4	103.2	103.5	102.9	104.4
1894.....	99.2	100.6	100.0	100.0	99.3	99.7
1895.....	97.7	98.0	98.7	98.1	96.7	97.8
1896.....	97.0	94.6	96.8	96.1	93.2	95.5
1897.....	96.9	95.6	97.1	97.3	92.7	96.3
1898.....	98.8	98.4	99.3	98.8	95.2	98.7
1899.....	99.5	98.9	100.5	99.9	98.5	99.5
1900.....	101.2	100.8	102.4	101.1	98.1	100.1
1901.....	104.7	106.1	106.9	106.9	99.9	105.2
1902.....	110.5	111.7	111.8	113.5	104.4	110.9
1903.....	110.1	111.0	111.2	113.5	103.7	110.3

"The table shows that the lowest price of food during the period covered was in 1896, when according to the weighted relative prices it was 95.5 per cent. of the average price from 1890 to 1899 ; and that the highest price was in 1902, when it was 110.9 per cent. of the average price for the base period, or 10.9 per cent. above the average price for 10 years from 1890 to 1899. As stated above, these figures represent the relative prices of food when the various articles are weighted according to their importance in the family consumption, as shown by the summary on pages 705 and 706. A computation of the simple average of the relative prices of the thirty articles, however, discloses the fact that the simple unweighted average, giving to each of the articles equal importance, follows very closely the average weighted by family consumption. These simple averages are as follows: 1890, 102.1; 1891, 103.4; 1892, 101.8; 1893, 104.1; 1894, 100.3; 1895, 98.2; 1896, 95.8; 1897, 96.3; 1898, 98.5; 1899, 99.6; 1900, 101.5; 1901, 105.5; 1902, 110.9; and 1903, 110.9.

"From the following table it will be seen that the average cost of food per family in 1890 was \$318.20. In 1896, the year of lowest prices,

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it fell to \$296.76 ; in 1902 it reached the highest point of the period, being \$344.61 ; while in 1903 it fell slightly, to \$342.75. The changes in the cost of living, as shown by the results of this investigation, relate to food alone, representing 42.54 per cent. of all family expenditures in the 2567 families furnishing information.

AVERAGE COST OF FOOD PER FAMILY, 1890-1903,  
BASED ON AVERAGE COST PER FAMILY IN 1901  
AND THE RELATIVE RETAIL PRICES OF FOOD  
WEIGHTED ACCORDING TO FAMILY CONSUMPTION.

Year	North Atlantic, States, 1415 families.	North Central States, 721 families.	South Atlantic States, 219 families.	South Central States, 122 families.	Western States, 90 families.	United States, 2567 families.
1890.....	\$330.35	\$310.08	\$282.72	\$279.54	\$332.61	\$318.20
1891.....	333.26	316.75	285.23	283.64	335.72	322.55
1892.....	329.70	308.57	282.44	275.71	324.90	316.65
1893.....	337.13	319.48	288.30	283.37	317.80	324.41
1894.....	320.34	304.93	279.36	273.79	306.68	309.81
1895.....	315.50	297.05	275.73	268.59	298.65	303.91
1896.....	313.23	286.74	270.42	263.11	287.84	296.76
1897.....	312.91	289.77	271.26	266.40	286.29	299.24
1898.....	319.05	298.26	277.41	270.50	294.01	306.70
1899.....	321.31	299.78	280.76	273.51	304.21	309.19
1900.....	326.80	305.54	286.07	276.80	302.97	314.16
1901.....	338.10	321.60	298.64	292.68	308.53	326.90
1902.....	356.83	338.57	312.33	310.75	322.43	344.61
1903.....	355.54	336.45	310.65	310.75	320.27	342.75

“If all classes of family expenditures as above be taken into consideration, it is apparently



a safe and conservative conclusion, therefore, that the increase in the cost of living, as a whole, in 1903, when compared with the year of lowest prices, was less than 15.5 per cent., the figures given above as the increase in the cost of food as shown by this investigation. This assumes, of course, always the purchase of the same articles and the same quantities in years of low prices, low wages, and more or less irregular employment, and in years of higher prices, higher wages, and steady employment."

## CHAPTER IX

### COURSE OF WAGES

"COURSE OF WAGES AND HOURS OF LABOR, 1890 TO 1903, WHEN WEIGHTED ACCORDING TO AGGREGATE WAGES PAID IN EACH INDUSTRY AS REPORTED BY THE CENSUS OF 1900.

(Relative numbers computed on basis of average for 1890-1899=100.)

Year.	Employés.		Hours per week.		Wages per hour.	
	Relative number.	Per cent. of increase (+) or decrease (-) in 1903 as compared with year specified.	Relative number.	Per cent. of increase (+) or decrease (-) in 1903 as compared with year specified.	Relative number.	Per cent. of increase (+) or decrease (-) in 1903 as compared with year specified.
1890.. ..	94.9	+33.2	100.7	-4.1	100.3	+16.0
1891.....	97.4	+29.8	100.5	-3.9	100.2	+16.1
1892.....	99.1	+27.5	100.5	-3.9	100.8	+15.4
1893.....	99.2	+27.4	100.3	-3.7	100.9	+15.3
1894.....	94.1	+34.3	99.8	-3.2	97.9	+18.8
1895.....	96.3	+31.3	100.1	-3.5	98.3	+18.3
1896.....	98.3	+28.6	99.8	-3.2	99.7	+16.6
1897.....	100.9	+25.3	99.6	-3.0	99.6	+16.8
1898.....	106.3	+18.9	99.7	-3.1	100.3	+16.0
1899.....	110.8	+14.1	99.2	-2.6	102.0	+14.0
1900.....	115.5	+9.4	98.7	-2.1	105.5	+10.2
1901.....	119.1	+6.1	98.1	-1.5	108.0	+7.7
1902.....	123.6	+2.3	97.3	-.7	112.3	+3.6
1903.....	126.4	(a)	96.6	(a)	116.3	(a)

“(a) The figures in this column give opposite each year the per cent. of increase or decrease (indicated by + or —) which the 1903 figures show as compared with the year specified. Thus, opposite the year 1890, under employés, appears +33.2; this shows that the per cent. of increase in the number of employés in 1903, as compared with 1890, was 33.2; opposite 1890, under hours per week, appears —4.1; this shows that the per cent. of decrease in the hours of labor per week in 1903 as compared with 1890 was 4.1; in like manner, under wages per hour, appears +16.0; this shows that the per cent. of increase in the wages per hour in 1903 as compared with 1890 was 16.0. The figures opposite each year should be read in like manner. Opposite the year 1903, of course, no figures can be placed.

“The first column of the table shows the relative number of persons employed in all of the establishments investigated that were in operation during each year of the period. This column probably does not show the full extent of the changes that have taken place in the industries of the United States during the period covered; as just stated, it measures only the changes that have taken place in those

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establishments that were in operation each year of the period. No figures are known to exist showing the decrease in the number of employés caused by the shutting down of establishments for one or more years of the period, or by the permanent closing of establishments. Neither are there any figures showing the increase in the number of wage-workers caused by the opening of new establishments during these years. The figures in this table relating to employés are of great value, however, for they show the changes that have taken place in a large number of establishments, and undoubtedly indicate to some extent the changes that have taken place in the number of persons employed in all industries throughout the country. The table shows that the lowest number employed was in the year 1894, when 94.1 per cent. as many persons were employed as during the average period from 1890 to 1899. The highest point reached in the period covered was in 1903, when 26.4 per cent. more persons were employed than the average for the ten-year base period. The next column shows the per cent. of increase or decrease in the number of persons employed in 1903 as compared with

preceding years. Thus, in 1903 there were employed 33.2 per cent. more persons than in 1890, 34.3 per cent. more than in 1894, and 2.3 per cent. more than in 1902, etc. So far as these establishments are concerned, it is seen that the number of employés engaged therein have gradually increased since the year 1894. It is seen that in the last year of the period, 1903, a greater number of workmen were employed than in any previous year, and in this last year the number employed was 34.3 per cent. greater than in 1894, or more than one third more.

“The next section of the table relates to the hours of labor. The relative number shown is a comparison of the hours of work per week in each year with the average hours worked per week during the ten-year period from 1890 to 1899. In 1890 the hours of work per week were 0.7 per cent. more than the average hours worked during the ten-year base period, while in 1903 the hours of work were but 96.6 per cent. of the average for the base period—that is, 3.4 per cent. less than the average hours worked during the period from 1890 to 1899. The next column shows the per cent. of increase or decrease of hours per week in

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1903 when compared with previous years ; thus in 1903 the hours of work were 4.1 per cent. less than in 1890, and 0.7 per cent. less than in 1902. The tendency toward a gradual reduction of the hours of labor of the workman is clearly shown here.

“The third section of the table relates to the wages per hour paid in all of the industries covered by the report. In 1890, wages were 0.3 per cent. higher than the average wages paid during the ten years from 1890 to 1899. In 1891 they were 0.2 per cent. higher. The lowest point reached was in 1894, when wages were 97.9 per cent. of the average wages for the ten-year period ; or, in other words, 2.1 per cent. lower than the average for the ten-year period. From 1894 the movement has been gradually upward to 1903, when the average wages per hour were 116.3 per cent. of the average for the base period ; or, in other words, 16.3 per cent. higher than the average wages per hour during the ten-year period 1890 to 1899. The caution before given is here repeated. The per cent. of change between one year and another is not the result of the subtraction of the two relative numbers. For example : The relative wages in all

industries was 97.9 in 1894, and 116.3 in 1903; the difference between these relative numbers is 18.4. The per cent. of increase in wages, however, from 1894 to 1903 was not 18.4. This difference, 18.4, is 18.8 per cent. of 97.9, the number with which the comparison was made, making wages, per hour, in 1903, 18.8 per cent. higher than wages per hour in 1894. The column following the relative wages shows the per cent. of increase or decrease in the average wages per hour in 1903, as compared with the preceding years. In this column it is seen that wages per hour in 1903 were 16.0 per cent. higher than in 1890, 15.4 per cent. higher than in 1892, 18.8 per cent. higher than in 1894, 3.6 per cent. higher than in 1902, etc.

“In studying the several tables thus far presented, the reader should bear in mind that the wages shown are the average rates of wages per hour, and the hours shown the average number of hours worked per week. A reduction of hours in any year, therefore, implies a reduction of weekly earnings, unless accompanied by a corresponding increase in the rates of wages per hour. In order to show the changes in weekly earnings that have taken

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place from year to year during the period, in all industries as a whole, the following table has been prepared :

### RELATIVE WEEKLY EARNINGS PER EMPLOYÉ AND FOR ALL EMPLOYÉS, 1890 TO 1903.

(Relative numbers computed on basis of average for 1890-1899 = 100.)

Year.	Weekly earnings per employé.		Weekly earnings of all employés.	
	Relative.	Per cent. of increase (+) or decrease (—) in 1903 as compared with year specified.	Relative.	Per cent. of increase (+) or decrease (—) in 1903 as compared with year specified.
1890.....	101.0	+11.2	95.8	+48.1
1891.....	100.7	+11.5	98.1	+44.6
1892.....	101.3	+10.9	100.4	+41.3
1893.....	101.2	+11.0	100.4	+41.3
1894.....	97.7	+14.9	91.9	+54.4
1895.....	98.4	+14.1	94.8	+49.7
1896.....	99.5	+12.9	97.8	+45.1
1897.....	99.2	+13.2	100.1	+41.8
1898.....	100.0	+12.3	106.3	+33.5
1899.....	101.2	+11.0	112.1	+26.6
1900.....	104.1	+7.9	120.2	+18.1
1901.....	105.9	+6.0	126.1	+12.5
1902.....	109.3	+2.7	135.1	+5.0
1903.....	112.3	.....	141.9	.....

“The first section of the table relates to the weekly earnings of the individual employé. From this table it is seen that the weekly earnings per employé in 1890 were 1.0 per cent. higher than the average weekly earnings



for the ten-year period 1890 to 1899. In 1894 the average weekly earnings were 2.3 per cent. lower than the average for the ten-year period, and in 1903 they were 12.3 per cent. higher. The next column shows that the weekly earnings per employ   in 1903 were 11.2 per cent. higher than in 1890, 11.5 per cent. higher than in 1891, 14.9 per cent. higher than in 1894, and 2.7 per cent. higher than in 1902, etc.

“The second section of the table, relating to the aggregate weekly earnings of all employ  s engaged in the occupations covered in the establishments included in the report which were in operation during each year of the period, is of great interest as indicating to some extent the considerable and steady increase during the years from 1894 to 1903 in the amount paid out in wages by the manufacturing and mechanical establishments of the country. While the figures given show that this increase has been very great, it is believed that they do not mark the extreme increase that would be shown were figures available for the entire number of employ  s in all industries, for reasons previously stated on page 718. Bearing this fact in mind, the table

shows that the weekly earnings of the employés engaged in the occupations covered in the establishments running during each year of the period were, in 1890, 95.8 per cent. of the average for the ten-year period from 1890 to 1899; in the year 1891 they were 98.1 per cent.; in 1894 they were 91.9 per cent.; in 1902 the relative figure was 135.1, while in 1903 it was 141.9, or 41.9 per cent. more than the average for the ten-year period. The next column of the table, comparing the last year of the period with each of the other years, indicates that in 1903 the aggregate weekly earnings of all employés were 48.1 per cent. more than in the year 1890, 54.4 per cent. more than in 1894, and 5.0 per cent. more than in 1902, etc.

"Thus it is seen that, considering the employés covered by this report, the average weekly earnings per employé in 1903 were 12.3 per cent. higher than the average for the ten-year period 1890 to 1899, and that the aggregate weekly wages paid out to all employés in 1903 were 41.9 per cent. more than the average weekly wages for the same ten-year period.

"An examination of the figures of the two reports shows that the price of food in 1903

was 15.5 per cent. above its lowest price in 1896, the year of lowest prices ; that cost of living as a whole advanced probably somewhat less ; that rates of wages per hour in 1903 had increased 18.8 per cent. as compared with 1894, the year of lowest wages ; that hours of labor in 1903 had decreased 4.1 per cent. as compared with 1890 ; that weekly earnings had advanced 14.9 per cent. in 1903 above the weekly earnings of 1894 ; that 34.3 per cent. more persons were employed in 1903 than in 1894, and that 54.4 per cent. more money was paid out in wages per week in 1903 than in 1894."

It is difficult to establish a measure of income or measure of employment, but there are several approximate methods. The production of iron is regarded very generally as a reliable index of employment. If, coupled with this, the total mineral production be taken as a basis a still closer estimate can be made. Savings-bank deposits form another criterion, but perhaps the volume of freight earnings is as good an index of employment as any. Not only do they mean a larger employment of labor by railroads, but the larger employment of labor

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by coal mines, iron foundries, lumber mills, general merchandise, and in fact most lines of industry. Changes in bank clearings as well as bank loans and discounts are considered in financial circles as very indicative of national prosperity. In 1892, taking par as a basis, freight earnings stood at 106, in 1894 at 91, in 1899 at 108, in 1900 at 120, and in 1903 at 144. Mineral production dropped during this period from 105 in 1892 to 81 in 1894, gradually rose to par in 1898, to 140 in 1900, and still higher in 1903. Bank clearings fell from 108 in 1892 to 77 in 1894, rising at first gradually, and then from 1897 to 1900 to 130, and in 1903 to 160. Bank loans and discounts followed a similar course, their extreme rise being to 140 in 1903.

Let us now glance at the course of prices in recent years, in free products and what are called trust products; taking par as the base, being the price prevailing between 1890 and 1899, we have the following increases in free commodities up to the year 1903: Farm products 18.8 per cent. Of these farm products, wheat increased 5.1 per cent.; cattle, extra quality, 4.7 per cent.; cattle, good quality, 6.9 per cent.; hay 19.2 per cent.; corn 21.1 per

cent.; barley 21.2 per cent.; hides 24.8 per cent.; oats 31.7 per cent.; hogs 37 per cent.; cotton 44.7 per cent.; hops 59.5 per cent.

These are, of course, the most important products of this or any nation, and have been hitherto uncontaminated by any trusts, and yet the percentage of increase is very large. It would be still greater were there not three relatively unimportant items which have decreased, namely, sheep about  $1\frac{1}{2}$  per cent., rye  $2\frac{1}{2}$  per cent., and flaxseed 6 per cent.

Now as to some trust-controlled products: Under the classification "food," we have sugar, which *declined* nearly 2 per cent., or, taking into account the three kinds of sugar—granulated, 96 centrifugal, and 89 fair refining—the decline was between 3 per cent. and 4 per cent.; coffee declined 58 per cent.; and fruit declined 38 per cent.; bread and flour increased from  $\frac{1}{2}$  to  $\frac{2}{3}$  of 1 per cent.; fresh beef 1.7 per cent.; salt beef 2 per cent.; corned salmon 10 per cent.; extra quality of salt beef 14 per cent.; pork, however, increased 43 per cent., and bacon about the same. Including, however, these last two items, the average increase would be very much less than in non-trust-controlled products.

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Woollen underwear increased  $\frac{4}{10}$  of 1 per cent.; women's dress goods 1.2 per cent.; cotton flannels 4 per cent.; ticking 4 per cent.; leather 5.4 per cent.; boots and shoes 8.6 per cent.; sheeting 8.7 per cent.; blankets 10 per cent. Among the decreases were the following: Boots and shoes, men's calf, decreased 1 per cent.; women's dress goods, cashmere, cotton warp, decreased 2 per cent.; shirtings 3 per cent.; underwear, half wool and half cotton, 4.6 per cent.; hosiery, cotton, 10 per cent.; certain boots and shoes for men 6 per cent. and 13 per cent.; hosiery for women 13 per cent.; hosiery for men 17 per cent.—showing an average increase in all trust-controlled products entering into cloths and clothing, about 6 per cent.

Fuel and lighting, being at the same time natural products and trust-controlled products, have increased largely. This should be ascribed, however, to the well-known and much-dwelt-upon fact that our supply of coal and crude oil is rapidly diminishing and within an appreciable period of time will become exhausted. Unlike farm products, there is no such thing as renewal, and with every pound of coal that we use we are expending some of

our national capital. It is inevitable, therefore, that as the population increases rapidly and the coal supply does not, but, on the contrary, decreases with every increase in population, the price must increase in a constantly greater ratio, or else some new combustible must be found.

With metals and implements the same argument applies. There is only a certain well-defined amount of ore in our country, and the increase in population makes a relatively greater decrease in the supply of minerals, which, therefore, are bound steadily to advance in price.

In the case of lumber, which partakes to some extent of the qualities of farm products and of minerals, hitherto bearing much more resemblance to the latter, as replanting is rarely done, the average increase in price has been 22 per cent.

Some people, of course, prosper much more than others in the wonderful accession of wealth which has come to the country within the last six years, but as the opportunities are as open now as ever it can only be ascribed to their superior intelligence or diligence, and possibly in some cases to a more hardened

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conscience as well. If the distribution of this great accession of wealth is unequal, it is simply unequal because men are unequal—unequal by inheritance, by birth, education, and capacity. There is no question, however, that the general well-being is very much higher than ever before. Every form of statistics shows this, and it is within the common knowledge of every one. The only real sufferers are those from whom no complaint is heard—that is, the comparatively small class who live on fixed incomes, comprising widows, minors, and retired men. With them not only have commodity prices risen, but the interest rate has decreased, so they suffer both in income and outgo. Another class, much larger but equally uncomplaining, is the numerous class of clerks whose salaries, if at all, have risen very slightly while the expenses of a bare living have increased, as also the exigencies of existence in positions which necessitate expensive clothes, dwelling-houses in convenient and prosperous localities, and a thousand incidental expenses due to their occupation and association.



## CHAPTER X

### RAILROADS

OUR history during the past hundred years has proved the truth of the saying that "the least governed is the best governed country." Our marvellous achievements in every form of industry have been owing to the free play of individualism, to equal and open endeavor and initiative for every citizen. We have recognized that under the equal protection of the law men must thrive and prosper, or fail, by virtue of their own abilities and industry. Beyond enforcing the law, to use your own so as not to injure another, the people have been free from restriction or restraint, to work out their own salvation.

Now, however, there is a tendency to seek either governmental aid or governmental protection in almost all forms of industry for those who are not able enough, or industrious enough, to help or protect themselves.

It is a reversal of the old ideals and princi-

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ples which have made us the greatest nation in the world, and the envy of all foreign nations who have been hampered in their development by governmental interference or intervention.

It seems to be a national tendency, rather than to enforce the laws as they stand and punish the criminals, whether in or out of a trust or a railroad or a labor union, to good-naturedly condone the offence, and, rather than punish, to pass new laws in the vain hope that they will be a deterrent factor. Our statute-books are more loaded with penal enactments than those of any other country, but the punishments are much fewer. We make laws against abstractions, such as antitrust laws and anti-railway laws, but we let the criminals go, or even occasionally reward them.

Of all the wonderful achievements in American economic life, none has impressed the foreigner so much as the stupendous development of the railway system, its completeness, its efficiency, and, above all, its economy of operation and lowness of charges.

When the new method of transportation was first inaugurated in the old countries of Europe seventy-five years ago, a railroad was con-

structed with the certainty of the traffic which was already there, and which could not fail to take advantage of the superior method of transportation afforded by railroads over stage-coaches and carts. A dense population existed, markets existed, and the investment of capital in railroad enterprises was certain of success, provided ordinary care and intelligence were used.

In our country, however, the problem was absolutely different. The population was everywhere sparse, and throughout the greater part of its extent the country was almost uninhabited, while the physical features of the country were usually difficult. Accumulated capital also was lacking, so that the promoters of our earlier railroads had to face every conceivable form of obstacle, physical and financial, and when they risked their own capital and the capital which they had borrowed, they risked not only their own fortunes, but the fortunes of others, and their reputations for intelligence and probity as well. The result is that the American railway system is the crowning glory of industrial America, and the greatest tribute to the genius of American men.

It was not until 1851 that railroad construc-

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tion assumed in the United States a wonderful development, exceeding at that time that which prevailed in England or France. During the Civil War there was naturally a cessation of building except for military purposes and to some small extent in the North. After the conclusion of peace, however, building was renewed, and the greatest expansion took place between 1870 and 1880, while in the succeeding decade the proportion of new construction was nearly as great. From that time to the present, however, there has been relatively little increase, due to a variety of causes: The first is that railroads had been built in anticipation of the needs of the country; secondly, that the wave of Populism that swept over the country from 1892 to 1897 deterred capitalists from investing money in anything whatsoever. Just prior to that time also, namely, 1887, the Interstate Commerce Commission was created, that anomalous body of men whose status it has taken the Supreme Court eighteen years to define.

Railroad Mileage.	Railroad Mileage.
1883..... 120,519	1898..... 184,894
1888..... 154,444	1903..... 206,876
1893..... 175,442	1905 (about).... 211,000

It will be seen from this how small the relative increase was during the years 1893 to 1898—the result partly of the wave of Socialism and Populism which swept over the country, threatening the money standard and the stability of investment, and partly of legislative attacks on railroads, the popular ignorance of economic laws, and the exploitation of the fetich of unrestricted competition. A great proportion of the railroads, namely, about 98,000 miles, were forced into the hands of receivers between the years 1893 and 1901, and of these about 87,000 miles were sold under foreclosure. In addition to this, a large number were re-organized extra-judicially, while the balance struggled along, but very few being enabled to pay dividends at all.

It is very clear, therefore, that railroads and the owners of railroads (who are not, as it is supposed, a few rich men, but a large number of small investors—savings-bank depositors, policy-holders in insurance companies, and railroad employés) have had neither a profitable nor an easy time during the years above mentioned. That they did not merit the animadversion and the unreasoning popular clamor against them is shown by their average

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rate per ton per mile, showing a greater relative and a greater actual decrease than in the case of any other forms of service or commodities :

Average Earnings per Ton per Mile.	Cents.
1882.....	1.240
1887.....	1.030
1888.....	1.001
1889.....	.922
1890.....	.941
1891.....	.895
1892.....	.898
1893.....	.879
1894.....	.860
1895.....	.839
1896.....	.806
1897.....	.798
1898.....	.753
1899.....	.724
1900.....	.729
1901.....	.750
1902.....	.757
1903.....	.763

While the investors were obliged to be content with an average dividend of 2 per cent.

The answer to this unsatisfactory result of returns upon capital invested is that the railroad stocks are largely watered, and in the earlier days of building this was true of many

roads, of which the Erie was perhaps the most brilliant example. But the Erie has been in the hands of receivers, and has been reorganized and readjusted so many times, in so drastic a manner and with such numerous assessments, that it is doubtful if there is a drop of water left in the stock, while the New York Central, the Pennsylvania, and other roads during the past ten or fifteen years have increased their capital by many millions of dollars, and have accomplished this by selling stock for from 25 to 50 per cent. more money than its par value, while others, although giving the option to subscribers at par, sell the balance to the public at large premiums. In all such cases this is, of course, the converse of watering. In addition to this, it has been the practice of most of the roads (and particularly of the latter two) to invest in improving the property an amount equal to that paid out in dividends to stockholders, so that these roads, and some others, not only have no water in the stock, but the owners of the roads have for many years been investing profits which rightfully belong to them, and which in England are legally due and always paid to them, in the property.

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The character of the country, its extent, the sparseness of population, and the variety of traffic all give to the railroads of the United States a different and more difficult problem than European railroads have to contend with. They are obliged to carry rapidly, at very low rates, and for very long distances commodities for the most part of trifling or small value and very bulky, such as coal, lumber, hay, corn, etc., at the same time accommodating local traffic, which is very considerable. Under the fear of hostile legislation, and with even its frequent realization, the task which the railroad managers of the United States have so successfully accomplished, after alternations of success and failure, is perhaps the most stupendous industrial achievement of any time. They have also been subjected to unrestricted competition, which from false economic ideas has always been fostered, but against which European Governments have protected the investor.

As above stated, the total length of the railways in the United States in 1905 was 211,000 miles, or about 25 miles per 10,000 inhabitants. This service is much better than exists in Europe as a whole, the most populous States comparing in railroad service with



Belgium, while such States as Wyoming and Arizona would compare with Norway or Portugal. The rates are very much lower in the United States than in Europe, being about one third of the average in England and France, and about half the rates prevailing in Germany, although the cost of labor and of material entering into the construction and operation of our railroads is enormously higher. This great result has been achieved by five decades of experience and study, most of them free from governmental interference and control, by the master minds of the country, who long ago realized that the railroad could only prosper in the long run by the prosperity of the consumer and shipper along its lines, and that a large tonnage at a low rate was preferable to a less tonnage at a high rate.

The railway system of the United States may now be considered to be practically complete, the enormous work having been done, and the enormous capital provided almost entirely, by private enterprise. The building up and development of the country by this agency are universally recognized, but the extent to which it has been done can hardly be appreciated.

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It will be interesting to dwell upon a few features of the transportation industry which are so generally misunderstood, and which have given rise to much hastily conceived and injurious legislation.

As to the ownership of the railroads of the country : The recent combination and concentration of railroad control and management in the hands of a few corporations and their allied financial interests, popularly known by the names of the men most prominent in them, has given rise to confusion in the mind between management and ownership. The control and management are undoubtedly highly concentrated ; the ownership is by no means so, while the number of people directly or indirectly interested in railroads would comprise almost three quarters of the population who have saved and accumulated any sum of money. Outside of the land, railroad securities are, of course, the most general form of investment, other forms, such as manufacturing and mining, being directly dependent upon them, as to a very great extent is also land.

The report of the Interstate Commerce Commission has stated the number of stockholders at 327,000.

This at first sight does not seem a large number, but when it is recognized that a great many of these shareholders of record are savings banks, trust companies, insurance companies, educational and charitable institutions, executors and administrators, and that even the individual shareholder has presumably four or five people dependent upon him, the total is seen to be enormous. Besides shares, and to an equal or greater amount, is the investment in the bonded indebtedness of railroads by the same class of institutions and individuals.

An incomplete investigation recently made regarding the railroad securities held by savings banks, insurance companies, and educational institutions is as follows :

By the insurance companies. ....	\$845,889,038
By savings banks .....	571,031,277
By educational institutions. ....	47,468,327
<hr/>	
Total .....	\$1,464,388,642

And this only represents the investigation in a comparatively few States.

Besides this, the railway systems employed in 1903 about 1,300,000 men directly in their service, while in the providing of supplies, chiefly coal and lumber, a very large number

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of men are indirectly employed. All of these men again have families dependent upon them. The wages which were paid out by the railroads amounted as follows :

1899 .....	\$522,967,900
1900 .....	577,264,000
1901 .....	610,713,000
1902 .....	676,028,000
1903 .....	775,321,000

In 1904 the average operating expenses per mile were \$250 more than in 1903, while the gross earnings were \$152 greater, leaving \$98 per mile increased cost of operation, or \$20,-119,900, most of which was labor cost ; these amounts being from 37.5 to 40.8 per cent. of the gross earnings of the railroads, and from 59.3 to 62 per cent. of the operating expenses. When it is remembered that a great part of the balance of these expenses was used in purchasing fuel and other materials and supplies, the chief cost of which is in labor, it can be safely assumed that fully 80 per cent. of the operating expenses of railroads is absorbed by labor. Compare these figures with the average of 2 to 3 per cent. paid in dividends, and some adequate idea can be found of the real facts of the case as against

the popular misconception. The roads in America paid last year 41 per cent. of the gross receipts to labor, and 25 per cent. to capital, while the English roads paid 40 per cent. to capital and 28 per cent. to labor.

With reference to the contention that over-capitalization of railways necessitates higher rate charges than are just, in order to pay dividends, while it is true certain railroads were originally over-capitalized, these, as has been indicated above, have been either once or many times through such drastic processes of reorganization and receivership that the water is thoroughly squeezed out of them, while the more conservative class of roads have not only never been over-capitalized, but have poured scores of millions of dollars which belonged to stockholders into the roads.

In 1905, as above stated, the mileage in the United States was 211,000, the capital stock was \$6,355,207,335, and the bonded debt was \$6,722,216,517. That is to say, the bonded debt in 1905 was \$32,494 per mile, and the capital stock \$30,719 per mile, or altogether \$63,213 per mile.

In 1883 the total capitalization was \$59,400 per mile, and in 1893 \$52,000 per mile. During

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these periods there were vast improvements in road beds, second and other additional tracks, reducing grades, straightening curves, heavier rails, better sleepers, and many millions of dollars for raising and lowering tracks in cities, for great terminals, shops, safety devices, and the other numerous improvements which have so transformed railroads within the past ten or twenty years that the increased capitalization is surprisingly small.

It is very clear that the railroads could not be duplicated for anything approaching these figures, and if comparison be made with England, Germany, and France, the American railways are not only the best but far away the cheapest in any civilized country of the world.

In Great Britain the capitalization of railroads is \$277,495 per mile, in France \$140,000, and even in Germany, where everything has been so cheap until within recent years, over \$100,000 per mile. These comparisons speak for themselves, while the proportion of cost to the shippers to the different countries—namely, the freight rates—is known to be in the United States about one third of the average in England and France and half the average prevailing in Germany, all more or less under Govern-

ment control, and with low labor charges and lower prices for commodities. That is to say, in our country, by the free play of individual initiative, we have built up the largest and best system of railroads in the world, have paid the highest wages, and have given the public by far the cheapest service. If we reverse the system and adopt that prevailing abroad, is it not a fair inference that the result will be the same as there—*i. e.*, higher capitalization, lower wages, and higher rates?

## CHAPTER XI

### RAILWAY RATES<sup>1</sup>

**A**MONG the statistics published by the Bureau of Labor, the following table shows the increase in the price of the chief commodities and in railway rates from 1899 to 1902, 100 representing the average price of commodities from 1890 to 1899 :

#### RAILWAY RATES.

	1899.	1902.	Advance.
Passenger.....	93.9	96.8	2.9
Freight.....	86.3	90.2	2.9

#### PRICES OF COMMODITIES.

	1899.	1902.	Advance.
Farm products.....	100.0	130.5	30.5
Food, etc. ....	98.3	111.3	13.0
Cloths and Clothing.....	96.7	102.0	5.3
Fuel and lighting.....	105.0	134.3	29.3
Metals and implements.....	114.7	117.2	2.5
Lumber and building material,	105.8	118.8	13.0
Drugs and chemicals.....	111.3	114.2	2.9
House-furnishing goods.....	95.1	112.2	17.1
Miscellaneous articles.....	97.7	114.1	16.4
All commodities.....	101.7	112.9	11.2

<sup>1</sup> From *North American Review*, February, 1905, by the writer.



The comparison is still more striking when the year 1898 is taken, and the list of commodities confined to those entering chiefly into railway construction, maintenance, and operation :

## RAILWAY RATES.

	1898.	1902.	Advance.
Passenger.....	96.2	96.8	0.6
Freight.....	89.7	90.2	0.5

## PRICES OF COMMODITIES.

	1898.	1902.	Advance.
Fuel and lighting.....	95.4	134.3	38.9
Metals and implements.....	86.4	117.2	30.8
Lumber and building material,	95.8	118.8	23.0
Miscellaneous articles.....	92.4	114.1	21.7
All commodities.....	93.4	112.9	19.5

The tables are interesting as showing that, while the prices of all commodities have advanced, on an average, 13 points, and fuel, metals, and lumber 25 to 35 points, railway rates have only advanced fractionally. There is, however, the further and most important factor in the case, that of labor. Statistics show that the average wages of railway employ  s have increased quite 15 per cent. since 1898.

As concrete examples of the position of the railroads, with respect to the increased cost of labor chiefly, we have the last annual report of the Pennsylvania Railroad. This road is the oldest,

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the most conservative (in spite of its recent departure from its traditional policy), and the most liberal toward the public and its employes.

The organization of the Pennsylvania Railroad Company, as it is popularly known, is very complex, consisting, first, of the roads operated north and east of Pittsburg—*i. e.*, the Pennsylvania Railroad division, the United Railroads of New Jersey division, the Philadelphia and Erie Railroad division, and the Buffalo and Allegheny Valley division ; second, those operated indirectly, and the lines west of Pittsburg which are operated by the Pennsylvania Company. As showing the proportionate increase in the cost of labor on the lines east of Pittsburg operated directly by the company, I give a few statistics :

### INCREASE FOR 1903 OVER 1902 IN WAGES PAID.

#### *Pennsylvania Railroad Division.*

	Amount.	Per cent.
Enginemen and firemen.....	\$369,799.15	5
Roundhousemen.....	166,988.82	17
Locomotives, fuel for.....	1,112,504.60	25
Conductors, baggagemen, and brakemen.....	229,087.37	6
Yardmen.....	346,495.84	17
Switch-tenders and signalmen	76,725.75	13
Watchmen.....	27,019.99	11
Station agents and clerks.....	152,340.23	13
Station labor.....	102,905.08	10

# Railway Rates

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## UNITED RAILROADS OF NEW JERSEY.

	Amount.	Per cent.
Enginemen and firemen.....	\$154,143.58	13
Roundhousemen.....	23,743.58	10
Locomotives, fuel for.....	438,693.23	22
Conductors, baggagemen, and brakemen.....	121,068.41	12
Yardmen.....	112,624.25	10
Watchmen.....	14,454.47	5
Station agents and clerks.....	99,840.93	10
Station labor.....	87,602.66	4

## PHILADELPHIA AND ERIE DIVISION.

Enginemen and firemen.....	\$125,320.00	20
Roundhousemen.....	29,157.00	23
Fuel.....	304,000.00	35
Conductors, baggagemen, and brakemen.....	122,000.00	22
Yard men.....	88,700.00	25
Station agents and clerks.....	295,000.00	28
Station labor.....	20,000.00	15

While the increase in equipment would necessitate a larger number of employ  s, this proportion is relatively small, much the larger part consisting in higher wages paid to old employ  s.

The annual reports of the Illinois Central and the St. Paul railroads show the same condition of affairs. The increase in operating ex-

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penses of the Illinois Central for the year ending June 30, 1904, was 9.91 per cent., or \$2,957,000, of which advances in wages represented over 40 per cent., while the St. Paul shows an increased cost of \$737,064 in labor alone, and in material and supplies of \$1,400,000.

We see, therefore, that in one year the increase in the cost of labor is about 10 per cent. in Pennsylvania, and in the Illinois Central and St. Paul nearly as much.

Thus, since 1898, the railways have been obliged to pay from 15 per cent. to 50 per cent. more for labor, fuel, and all materials, which they use, while their rates for passengers, as well as for freight, have advanced but fractionally, and are much lower in this country than in England, France, or Germany, although labor and most materials are much higher here.

In this connection it is interesting to read what Mr. Priestly, the expert English authority, has to say:

“The present prosperity of the United States of America is, in no small extent, due to the low rates charged for transportation. This prosperity has reflected itself in an increase of wages all round, which, in its turn, has increased consumption and consequently production. These high wages are not due to the necessities of life

costing the laboring classes in America more than they cost the same class in England. It is only the style of living which is better. At the back of it all there is no doubt the protective tariff; but that would have availed little without the cheapening of the cost of transportation. . . .

"In India, pooling and the territorial division of traffic are permitted, and railways are not only allowed but are encouraged to protect themselves against competition. American railways enjoy no such protection (any act which tends to restrict competition is illegal), but have been left to work out their own salvation as best they could. They have consequently been obliged to devote their efforts to reducing the cost of transportation, and the great bulk of the traffic can now be carried at rates which a few years ago were held to be impracticable and spelled bankruptcy. . . .

"Previous to the lowering of the rates by competition, consumption of many commodities was confined to a limited class of people, and to that class in a limited quantity. The lowering of rates not only brought these commodities within the reach of a wider class of consumers, but enabled the previous consumers to increase their consumption.

"To restore the railways to solvency it was not possible to put up rates, even if this had been desirable with the experience before them, and the railway officials were forced to devise methods which would permit their carrying the traffic at these low rates and at the same time earn a dividend for the stockholders. The alert American mind was not long in devising those methods, and to-day railway rates for good traffic, judged as a whole,

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are lower in America than in any other country in the world. . . .

"They [American railway men] have managed to do what no other country in the world has done, and that is carry their goods traffic profitably at extraordinarily low rates, notwithstanding the fact that they pay more for their labor than any other country."

The whole history of railway industry is the story of a wonderful evolution. In its infancy all communities were so anxious to profit by this new method of transportation that franchises, lands, and subsidies were lavished upon any group of individuals who would build a road, while when the road was built any rates which it charged were cheerfully and willingly paid. Human nature would be more than human if it waived aside the franchises, privileges, and money thrown at it; and while the better and more far-sighted men exercised some moderation and rendered the best equivalent possible in services for the advantages received, the more unscrupulous secured every advantage, every privilege, and all the money possible, and rendered as little in return and at as exorbitant a price as possible. These were the golden years for promoters, construction companies, and builders of railways, and expensive

ones for the public, who, however, comparing the new with the old methods of transportation, willingly paid the heavy charges laid upon them, and nevertheless made money and prospered. There were two great periods of this feverish and reckless railway construction—from 1845 to 1857, and from 1866 to 1889, with varying intermissions, until the inevitable reaction began. Railways had been built far in excess of the needs of the country, competitive lines were established where no necessity existed, rates were made as heavy as the traffic would bear, in order to bolster up useless and unprofitable lines and pay large dividends to the stockholders of better ones, and the old gratitude and friendliness of the shippers and the general public gradually changed into a deep-seated hostility.

Partly to blame for this condition of affairs was the hugging of the fetich of competition, unrestrained and *à l'outrance*. This false economic theory, ingrained in the minds of most men, frequent unscrupulousness in taking advantage of the craze of all communities for railroads and more railroads, and the credulity of the public in believing that any and all roads, in any section of the country, were gold mines

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in another form, all led to the inevitable periods of disaster, receiverships, and reorganizations, which occurred with every period of depression, until in the decade 1890-1899 even many of the oldest and best roads were subjected to these drastic processes.

In 1895, 1896, and 1897 more than 70 per cent. of the capital stock of the railroads in the United States paid no dividends and more than 15 per cent. of the funded debt paid no interest. At the end of this period most of the inflation which had existed in many roads had been adequately punctured, and the bonds and stocks represented very generally money invested in the railroads.

Chastened as they were by this long and trying experience, and having learned a few economic truths, the managers were prepared to perform their duties to the public in a different spirit and manner from that which had hitherto generally prevailed ; but the hostility which had become so general could not be immediately transformed into good-will.

Hostile legislation had been everywhere enacted, not only hostile, but irrational ; taxes were increased and new ones levied.

The attitude of animosity which the Inter-



state Commerce Commission has assumed towards railroads is a reflection of that which has prevailed for many years—almost a generation—among the public. It should not, of course, exist in a quasi-judicial body, but as the composition of the Interstate Commerce Commission is affected by the usual political reasons, it is not unnatural that it should, consciously or unconsciously, represent the animus of its creators. This sentiment of hostility towards railroads, fortunately decreasing, would probably disappear with a fuller knowledge by the public of the railway industry.

Whatever the failings of the great railway managers are, they cannot be accused of stupidity, and they have learned the lessons which, in the earlier period of railways, managers might be excused for not apprehending: that harmony aids and friction retards progress; that unrestrained competition is as destructive as other warfare; that railways can only prosper with the prosperity of the country through which they pass and the country at large; that large traffic at low rates is preferable to less traffic at high rates; and that railroads are quasi-public corporations and owe a duty to the public.

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That the Interstate Commerce Commission, instructed by the frequent overrulings of its decisions by the Supreme Court, has endeavored to examine more fairly into the propriety of increases in railway rates, is evident from the report and opinion of the Commission in readvance of freight rates in the case decided on April 2, 1903; as is apparent, also, their utter inability to cope with the subject. In this very important case the following roads were represented: Michigan Central, Lake Shore, Pennsylvania, Baltimore and Ohio, Wabash, Erie, New York Central, Southern, and others.

With regard to the contention that, as the prices of all commodities and of labor have advanced, the railroads are justified in advancing rates, the Commission had this to say:

“The second reason is that they should be allowed to increase their revenues owing to increased expense of operation. The whole claim stated upon the hearing, in varying forms, comes briefly to this: The present prices of commodities are high, therefore they can pay a higher freight charge. Times are good, and railroads should share in the general prosperity; but high prices of materials and labor add to the expense of operation, and gross revenues must therefore be increased.

“Plainly the character of the question thus presented is entirely different from that of questions previously

considered. It is no longer a question of what the traffic will bear, but rather of what the public should bear. Conditions are such that this rate *can* be advanced as between the people who pay it and the stockholders who receive it. Is the advance right? Every question as to the reasonableness of a rate may present itself in two aspects. First, is the rate reasonable, estimated by the cost and value of the service, and as compared with other commodities? Second, is it reasonable in the absolute, regarded more nearly as a tax laid upon the people who ultimately pay that rate? The considerations which determine the first of these aspects are of but little weight in determining the second, which we have now to consider.

“Every such inquiry involves the idea of some limit beyond which the capital invested in railways ought not to be allowed to tax other species of property. What is that limit, and how can it be fixed?”

It is a matter of common notoriety that the Post-Office Department, which costs the public several millions a year in addition to the “tax” represented by stamps, could be run at a profit by a private corporation and the third- and fourth-class matter carried free, and so with all other departments of Government, whether Federal, State, or Municipal.

The question of governmental ownership is not, of course, entertained by serious men; although it is a favorite panacea of theorists,

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socialists, and cranks, whose heroic efforts and propaganda are usually coincident with some new and fresh scandal in a Government department.

Adequate but scientific supervision of quasi-public corporations, however, would be welcomed by all the better class of railroads, whose only complaint is that the Interstate Commerce Commission does not represent this type. A purely political body, occupying a nondescript position, it has neither the power nor the knowledge to do effective work. Its crude conclusions are usually reversed by the Supreme Court, but that is a long way to go for a decision on rates, and the complexity and technicality of the issues involved put an unnecessary burden upon that body, and one which it should not be called upon to perform.

In the Michigan Central case, for instance, which involved a most important principle, *i. e.*, whether a railroad was not justified in appropriating a portion of its earnings to the betterment of its property, which (the rates being admittedly low) would seem to affect only the stockholders, the Interstate Commerce Commission reasoned as follows :

“But it may be urged that after paying its fixed

charges, taxes, and dividends out of its net income for the year 1902 it had left but a comparatively small amount. That year was one of prosperity, and it can hardly be expected that conditions will continue without interruption as favorable. Ought not a railway to be allowed to accumulate, in some form, a surplus during fat years which may tide over subsequent lean years? To this we would unhesitatingly answer in the affirmative. In times like the present a railroad company should be allowed to earn something more than a merely fair return upon the investment; but we also think that it clearly appears that the Michigan Central is doing this.

"Within recent years this railroad, in common with many others in the United States, has been extensively improved. Grades have been eliminated, curves reduced, wood bridges replaced with those of iron and stone, station buildings rebuilt, equipment of all kinds greatly added to. All this has been rendered necessary, partly by increase in traffic and partly by the desire to handle this traffic in the cheapest possible manner; and it adds very materially to the value and the earning capacity of the property. Now, in so far as these outlays are reasonably necessary to keep the property up to its former standard, or perhaps to even a higher standard of operation, they are properly a part of the operating expenses of the road, but when they add to the earning capacity of the property, and therefore to its value, they are in the nature of a permanent improvement. Assuming that the stockholder is only entitled to exact from the public a certain amount for the performance of the service, he clearly has no right to both receive that

amount in dividends and add to the productive value of his property. The policy of the Michigan Central has been to make these improvements, not by adding to the debt or the capital stock of the company, but out of its gross earnings as a part of the operating expenses."

This is hardly encouraging either for the large capitalist or the small investor. What a long distance we have travelled from the day when the State of New Jersey gave the Camden and Amboy Railroad the exclusive franchise of roads throughout the State forever, or from the days of huge land grants and millions of subsidies! Thousands of millions of capital having been lured into investments in railroads by the attitude of the States and the public, the owners are now told that they are entitled to earn *something* on their capital.

THE END.















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